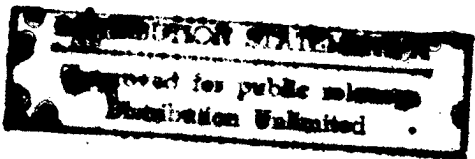


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NORTHEAST ASIA

Japan Expands Cooperation in Asian-Pacific Region

40050650 Shanghai GUOJI ZHANWANG [WORLD OUTLOOK] in Chinese No 11, 8 Jun 89 pp 24-25

[Article by Fan Yongming 2868 0516 2494: "The Strategic Changes and Effects of Japan's Economic Development"]

[Text] [Excerpts] Propelled by the increasing value of the yen, the economic development of Japan has switched from being primarily a foreign demand-led economy to a domestic demand-led economy and has showed sustained growth. In an objective sense this change is beneficial to economic cooperation in the Asian-Pacific region and especially East Asia. This change offers a good opportunity for China's economy and also presents it with a stern challenge.

Favorable Outlook for Japan's Domestic Demand-Led Economy and Sustained Growth

In the fall of 1985, when the yen first began increasing in value, a portion of those in Japan's economic circles loudly bemoaned that the increase in value of the yen was just a spark in the economy and that a large increase in value would result in an economic slump. Before long, however, the economic circles of Japan realized that this increase in value of the yen was a good thing for the Japanese economy, with a never-before-seen prosperity emerging along with the value increase of the yen. According to statistics, the growth rate of the Japanese economy for 1986 was only 2.6 percent, it increased to 5.2 percent in 1987, was 5.1 percent for 1988, optimists predict that for 1989 the growth rate will be 5.5 percent, and the majority of people believe it will be at least 4.4 percent. A large number of people believe that, in many areas, Japan's present economic development will compare favorably with the high economic growth periods of the sixties and seventies. First of all, from the concept of time, beginning in November 1986 to the end of March 1989, the economic revival has already lasted 29 months, coming close to the postwar Jimmu prosperity (31 months) in Japan's economic growth. Based on calculations from the National Economic Research Association, the present economic growth could conceivably last until the summer of 1991. This period of growth may exceed Japan's postwar Izanagi boom (57 months) in economic growth. Although the present growth rate of about 5 percent is not quite half the 11 percent rate of the high growth period, the total national output value of Japan has also grown from 75 trillion in 1970 to 330.8 trillion in 1986. Therefore, these two periods cannot be compared in the same way, and looking at it on a worldwide basis, Japan's 5 percent should not be considered low, as the majority of the Western world has an annual economic growth rate of only 2 to 3 percent.

Second, the pattern of economic development has returned to making the domestic demand-led economy

the priority, with investments in facilities and public consumption replacing exports as the motive force in economic growth. Based on analysis, Japan's average annual economic growth rate during the period 1965 to 1974 was 9.4 percent; it showed a 10.7-percent increase domestically and a 1.6-percent reduction in the external economy. Following the oil crisis Japan carried out reduction management and, by expanding exports, shifted its economic crisis to other countries. During the years from 1974 to 1985 the average annual economic growth rate was 4.3 percent—3.5 percent domestically, and 1.8 percent in its external economy, with exports, as the basis for meeting external demands, becoming the major motive force in economic growth. By 1984 this pattern was broken; specialization in the external economy was reduced, while concentration on domestic demand-led investment in facilities and public consumption showed large growth. This rate of economic growth lasted throughout the year and enabled Japan's economy to develop into a new stage.

Third, this investment in facilities centered on investment to develop microelectronic and other technologies: this foreshadowed Japan's industrial structure rapidly becoming service, information, and high-technology oriented. Investment in public facilities showed an actual growth rate of 10 percent for 1987, 17 percent in 1988, and a rate of 10.3 percent is expected for 1989, with capital accounting for 22 to 23 percent of total national output value, which is the highest postwar figure and compares favorably with the 16-18 percent level of the booming economic period of the sixties. Even more important is that it accounts for about 30 percent of expanded investment scope, with over half being used in microelectronic and other high-technology development. Although this will not result in an immediate great expansion of productive forces, it does signify that the rate at which microelectronics transforms traditional manufacturing industries is speeding up. Along with this, since 1986 the rate of public consumption has been increasing at 4 to 5 percent (before 1985, the increase in public consumption averaged 2 to 3 percent). It can be said that the present increase in facility investment and public consumption in Japan's economy has resulted in the favorable cycle of increasing production, economic growth, increased earnings, and further facility investment and public consumption.

Naturally, Japan's economy is faced with inflation, fluctuating exchange rates, and other hidden dangers, but its overall development is sound.

Japan Giving Play to Its Capacity for Absorption in the Market Is Beneficial to the Asian-Pacific Region

This historical change in economic growth switching from an orientation of being foreign demand-led to being domestic demand-led has caused a major change in Japan's foreign economic relations, especially with nearby developing Asian countries (region). The gradual opening up of the internal market is prominently marked by its attracting finished products from developing Asian

countries. According to statistics, Japan's imports increased by 10.7 percent in 1986, 12.8 percent in 1987, and 17 percent in 1988. The increase in imports is expected to drop somewhat in 1989, but is still predicted to stay at about 10 percent. Industrial finished products accounted for 30.8 percent of imports in 1985, 40.5 percent in 1987, and 52 percent in 1988. According to statistics from the Customs Service, the money absorbed by Japan from the finished industrial products of the developing countries accounted for 5.3 percent in the total exports of such products in 1985, almost doubling to 11.2 percent in 1987. Among these products there was a remarkable increase in finished products coming from Asia's "four little dragons" and from the Association of Southeast Asian Nations (ASEAN). There was an increase of 59.7 percent in finished products coming from the "four little dragons" industries in 1987, a 49.8 percent for those from ASEAN industries, and respective increases of 59.1 percent and 71.9 percent for these products during the first half of 1988.

The emergence of this situation created a change in the Asian-Pacific region trade flow. Asian-Pacific developing countries (region) are less dependent on U.S. trade and more dependent on trade with Japan. Taking South Korea and Taiwan as examples, South Korea's exports to the United States in 1986 accounted for 40 percent of its total exports, but fell to 35 percent in 1988, and, during this same period, the percentage of its total exports going to Japan rose from 15.6 percent to 19.8 percent. It is the same situation for Taiwan, 47.7 percent of Taiwan's total exports went to the United States in 1986, falling to 38.9 percent in 1988, while its exports to Japan rose from 11.4 percent to 14.5 percent. These increases in exports to Japan naturally strengthened the economic ties between these countries and Japan.

This shows that Japan has, to a certain extent, partially replaced the United States in its role as the main absorber of the Asian-Pacific region market and caused changes to occur in the structure and cooperation in the Asian-Pacific region's economy. In the past, the "four little dragons" imported funds and technology from Japan, combined their labor force with this funding from Japan, and processed industrial finished products to sell in the U.S. market in order to obtain economic growth. With Japan acting as the supplier of funds and technology and the United States as the big and unfolding market, they acted together to promote Asian-Pacific economic development. Since Japan also relies on the U.S. market a great deal, the United States, as a result, holds the primary position in this triangular setup. The United States is currently having serious problems with twin deficits in its budget and trade and is experiencing a shrinking market, while Japan, because of the rising

value of the yen and economic development changing from foreign to domestic orientation, has not only decreased its dependency on the United States, but has also attracted into its own market a large portion of products from the "four little dragons" and ASEAN. In January of 1989 the United States officially cancelled its preferential trade system with the "four little dragons," while Japan decided to expand its own preferential treatment of these nations. Additionally, because of the demands of Japan's adjustment of its industrial structure, it greatly increased direct investment in the "four little dragons" and ASEAN; in 1987 the volume of Japan's foreign investment again doubled, totaling \$33.3 billion, showing an increase of 109.1 percent for the "four little dragons" and an increase of 68.5 percent for ASEAN. This trend continued during 1988. It can be seen from this that Japan has switched from being only a supplier of funds and technology for the Asian-Pacific economy to a supplier of funds and a market absorber. The major player in the development of the Asian-Pacific economy is shifting gradually from being the United States to Japan.

Under this situation, Japan is even more enthusiastic in its cooperation in the Asian-Pacific economy. It will not take a general interest view anymore, but will advance specific proposals, such as linking the Asian-Pacific economic circles to those of Japan, having an Indo-China mainland development plan, hold conferences for Asian-Pacific economic ministers, and so on. In these plans Japan does not omit relying on its economic superiority to consolidate and expand its sphere of influence and establish in the Asian-Pacific region and even the entire world a scheme for a joint Japan-U.S. led economic system. However, the opening up of Japan's internal market is the binding force of this plan for economic cooperation, as a result, there are very few repercussions from Asian developing nations regarding the various tentative plans proposed by Japan. In contrast to the past, there has been a marked reduction in the number of people making criticisms and there have been many positive reactions from many countries (regions). Although there has been a definite expansion in the Japanese market, Japan's traditional consumer awareness and behavior, complicated circulation structure, and political interests may cause the opening up of the market to slow or even stop. However, because the scope of the Japanese market is so large, it has a high rate of consumption, and it is one of the most realistic, and has one of the best abilities to provide repayment in the world markets, its trend of industrial structure adjustment propelling the opening up of the Japanese market will not deteriorate. It is predicted that giving further play to Japan's role as a market absorber will cause new growth in the Asian-Pacific economy, and create true advancement in regional cooperation. Of course, there will be some unavoidable resistance to the negative factors in plans for East Asian economic circles. [passage omitted]

Plant Praised for Strong Political Work

*HK1009041689 Beijing RENMIN RIBAO in Chinese
28 Aug 89 p 5*

[Article by Liu Bao 2692 1027: "In Whichever Direction the Wind May Blow, Party Leadership Will Never Be Slackened—The Party Committee of Wafangdian Bearing Plant Strengthens Ideological and Political Work"]

[Text] The Wafangdian Bearing Plant in Liaoning, which has more than 23,000 staff members and workers including 3,000 party members, is one of the large backbone enterprises in China's bearing trade. Confronted with the abnormal "climate" in recent years in which the tendency of bourgeois liberalization spread unchecked, the role of the party weakened, and the ranks of enterprise political workers were lax, the plant party committee refused to say and do things against their will and followed the party's ideological line of proceeding in everything from practice and seeking truth from facts in connection with the specific conditions of the plant. They vigorously supported the system of the factory director assuming sole responsibility, gave full play to the role of the party committee, and promoted the building of spiritual and material civilization in the enterprise.

Proceeding From the Nature and Position of the Party, Persist in Giving Full Play to the Political Leadership Role of the Party Committee

Following implementation of the factory director responsibility system, changes took place in the position and role of the party committee. This was actually a reform of the party's leadership system, leading method, and work method in the new period. Because of the influence of erroneous public opinion, however, some people regarded the reform as a change in the party's leadership and key role, thus giving rise to the phenomena in which the party's image faded out, the party's role was vilified, and party leadership weakened. Facing these phenomena, the plant party committee firmly believed that the CPC is the vanguard of the working class and the core of leadership of the socialist cause. This is stipulated in explicit terms in the PRC Constitution and the party constitution, which cannot be altered. Meanwhile, they believed that the nature and position of the party are embodied in the organizations at the grassroots levels. If the role of grassroots level organizations is neglected, weakened, or negated, the party will lose its sound foundation. Hence, they tried to remove interference and adverse influence in practical work and consciously gave play to the party's political leadership role. The method applied is: Organize, coordinate, study, and arrange the work of the party, administrative, trade union, youth league, and propaganda departments; conscientiously publicize and implement the party's line, principles, and policies; try to make the party's proposals into a conscious move of the broad ranks of staff members; seriously organize political and theoretical study of leading organs and cadres at various levels and

the broad ranks of staff members, make this a regular practice, and constantly improve the political qualities of all staff members; discuss and determine major events concerning the mass organizations, coordinate with the administrative departments in assessing cadres, consult each other in appointing or removing cadres, and regularly organize the masses of workers to assess the leading cadres at all levels; frequently carry out mass political activities, such as political affairs question-and-answer contests and having bearing workers eulogize the party, and enliven the political atmosphere of enterprises; and courageously uphold the party's organizational principle. The plant party committee resolutely resisted and corrected the abnormal phenomenon of a branch factory director of the Wafangdian Bearing Plant appointing a party general branch secretary and removing members of the party general branch from office. As the plant party committee showed concern for and set demands for party members in their political life over the years, they effectively resisted the tendency of bourgeois liberalization. During the period of turmoil that developed into a rebellion, party members, cadres, and workers of the whole plant kept in political unity with the CPC Central Committee, took a clear-cut stand, stuck to their posts, and worked hard. None of them took part in the demonstrations or wrote any wall posters. No criminal cases took place in the plant. Production and operation quotas in April, May, and June hit an all-time high. As a result, the plant was commended by the higher level party committee.

Proceeding From Enterprise Reality, Stabilizing the Ranks of Political Workers

The wind of cutting the ranks of political workers and reducing the offices and personnel involved in political work was stirred up over the past few years in society. It became an inevitable trend that their functions had to change and they had to be removed from office. Nevertheless, the party committee of the bearing plant did not follow the pattern despite the "wind blowing from all directions." Instead, they proceeded from enterprise reality and worked accordingly.

In early 1987, some people proposed assimilating the experience of a certain factory and establishing, in parallel with the administrative departments, a party committee work department, with the party committee secretary assuming head of the department. When the plan was deliberated, the proposal was rejected by party committee secretary Gao Zhongqian. He said that a large backbone enterprise plays a backbone role in the state's economic and political life. In the course of structural reform, it is necessary to proceed from practice, seek truth from facts, and never indiscriminately copy others' experience. To set up a party committee work department does not conform to the reality of the Wafangdian Bearing Plant and would be disadvantageous to giving full play to the role of the party committee.

In early 1988, the wind of cutting political work offices and personnel was stirred up again. The absurd argument for "reducing political workers by 50 percent, doubling production" even appeared in newspapers. At this moment, some people again proposed reducing drastically political work offices and personnel. Under such a situation, the plant party committee remained cool-headed. They knew that reform should proceed from reality. With the change in functions of the enterprise party committee, they could only duly adjust the offices and ranks of political workers, not reduce them. Due to their efforts, political work offices and personnel were not reduced. With the deep-going development of reform, in light of the needs of enhancing party building, and with the support of administrative leaders, they set up an office party committee, strengthened the association of workers' ideological and political work, set up an administrative propaganda office, and restored the "part-time party school" that was suspended for 2 years.

In recent years, instead of interference by outside forces, the plant party committee insisted on carrying out party work in light of the actual conditions of the plant. For example, when some people persuaded party committee secretary Gao Zhongqian to concurrently assume the office of deputy director, he declined. He believed that the responsibility of a party committee secretary is to pay attention to party building and that concurrently assuming the office of deputy director would be disadvantageous to performing the supervisory functions of the party committee and to concentrating efforts on party building. To enhance party building, the plant party committee also appointed full-time secretaries and trade union chairmen in 43 branch factories and offices where there were large numbers of staff members. The secretaries and chairmen were treated as administrative cadres. This move strengthened the organizational building of the grassroots party organizations.

As they insisted on proceeding from practice and seeking truth from facts, they retained the backbone of political work, maintained the ranks of political workers, ensured the normal progress of party committee work, and laid down prerequisites for strengthening ideological and political work and the building of spiritual civilization.

Proceed From the Party's Fine Tradition, Persist in Carrying Out Ideological and Political Work and the Building of Spiritual Civilization

Following implementation of the factory director responsibility system, the party committee members of some enterprises washed their hands of ideological and political work. The Wafangdian Bearing Plant party committee believed that ideological and political work is the party's fine tradition, which should never be forsaken under any circumstances. No matter who assumes responsibility, it is right and proper for the enterprise party committee to pay attention to ideological and political work. To avoid a gap that might occur during a leadership change in ideological and political work and establishment of a new pattern, the

party committee should still assume responsibility for leadership over ideological and political work. With this as their guiding ideology, they straightened out their thinking, functions, organs, and work, and they established a new pattern of ideological and political work suited to the characteristics of the plant: that is, with the factory director assuming full responsibility; the party committee exercising management; party, administrative offices, youth league, and trade unions sharing the work and cooperating with one another; and party and administrative cadres making concerted efforts to exercise management. They achieved the following: "Division of functions, but ideological cooperation; division of work, but seeking common targets; and division of systems, but cooperation in relations."

Over the past few years, the Wafangdian Bearing Plant party committee conducted ideological and political work and carried out the building of spiritual civilization in a down-to-earth manner in connection with the questions and problems in workers' thinking and difficulties in production and operation.

In view of capital, raw material, and energy shortages, price hikes, and other difficulties of the enterprise, the party committee conducted education in "I feel honored when the plant prospers, but I feel ashamed when it goes downhill," in "understanding and loving the plant and contributing to the plant's takeoff," and in enterprise spirit. They increased the workers' sense of being masters and their spirit of cherishing the plant through education. In the past 4 years, the staff members and workers pooled a total of 8.892 million yuan, easing the problem of capital shortage; and made more than 98,600 rational proposals, which played an immense role in increasing enterprise economic efficiency. In the "ideals and contribution" drive, scientific and technological personnel completed 774 scientific and technological research projects, which accelerated the pace of technical transformation and technical innovation. Practice has once again proved that political work is the lifeline of all economic work.

Former 'Counterrevolutionary' Speaks on Truth

*40050592 Shanghai MINZHU YU FAZHI
[DEMOCRACY AND LAW] in Chinese
No 6, 12 Jun 89 p 10*

[Article by Chen Shizhong 7115 0013 1813, associate professor, Harbin Workers' Spare-Time University: "In Hopes That the Spirit of the 'Second Kind of Loyalty' Will Become Widespread"]

[Text] As I take up my pen, a string of memorable dates flashes through my mind: Ten years ago, at the victorious convening of the 3d Plenary Session of the 11th CPC Central Committee during the period of planning; 2 years later, on 15 April 1981, when the comrades on the Beijing Municipal Court sent in the documents on their decision in my second trial, proclaiming that I was thoroughly rehabilitated. From there, Chen Shizhong [7115 0013 1813] returned to the party and to the people's embrace.

I was arrested in July 1963, and charged with counter-revolutionary activities. Prior to being imprisoned (on

9 May 1963). I had written similar open letters to Chairman Mao and Krushchev, appealing for our two parties to unite in self-criticism, with neither side labeling the other. After I was in prison, I recognized that my actions were rash and in error, but I stuck to my opinions, stressing that the Sino-Soviet parties should unite in friendship, and criticizing the Chinese party's foreign and domestic policies. I wrote several tens of theoretical essays such as "Admonishing the Party," and "On 'Struggle,'" continuing to bare my heart to the party, sincerely and frankly directing my criticisms and urgings to Chairman Mao, as he was the leader of the Central Committee of the Communist Party of China, and I made a special, earnest request that Chairman Mao put a stop to the worship of himself as an individual.

All this appeared to be an admission of wrongdoing, and only served to emphasize my guilt. The last time I was in court, Chen Shuzhong [7115 6615 0022] said, "Just when the Chinese people were clenching their teeth, tightening their belts, rallying around the party, and putting up with the temporary hardships brought on by 3 years of natural disasters, I persisted in my beliefs that it was the party's erroneous road that had created this situation. I will do all that I can to help the party to correct this incorrect path, and therefore my efforts run counter to those of the party and the nation."

After serving my sentence, I quietly received labor reform, building socialism in our motherland's desolate north country through the sweat of hard work. While serving my sentence, there were three instances in which I saved the life of another, I fought fires twice, and was cited for meritorious service on numerous occasions. Even though my "counterrevolutionary" hat had been removed, still, because I was an orphan, and my wife had been compelled to divorce me, I had become a homeless person. So I stayed on in the reform labor brigade, and passed 15 years in that manner.

Then came the 10 years of upheaval. With Chairman Mao's tacit consent, admiration, and even advocacy, the disastrous effects of rampant worship of an individual became daily more evident. I warned against this repeatedly, but unfortunately my words went unheeded. It was a disaster for the people, and the motherland wept.

It was Comrade Deng Xiaoping who noted that, "Practice is the only standard by which we can judge the truth," which laid the theoretical foundation for the rehabilitation and liberation of countless comrades who had been treated unjustly and wronged. Formerly, one of the comrades who reexamined my case was a graduate student in the early phase of her studies at People's University, a fellow student of the martyred Zhang Zhixin [1728 1807 2450]. She painstakingly went over my entire dossier, especially "A Different Political View," my nearly one million-character essay which I had written both in and out of prison. She reached the conclusion that: This person does not have counterrevolutionary motives and objectives; regardless of what he says, he is merely expressing his

wholehearted and sincere hope that our party will not make serious mistakes, and that's all.

Eight years have passed, but I still remember her parting words to me: "It is rare to find a student at a technical university who cares about politics as much as you do." "The majority of your views look pretty good today, while some must still be proved through practice, but in the final analysis all belong to the category of ideological problems." "In prison you adhered to the truth, not fearing whether your spirit of sacrifice would bring praise." These words caused my eyes to fill with tears: For where in the world could one find a more understanding organization or a more trusting comrade?

Not long afterward I received my notice of rehabilitation. I joyfully read, "The suffering of the Cultural Revolution actually made people more clear-headed. And even more people reflect: Who are the motherland's truly faithful children, and after all, what kind of faithful children does the motherland need?"

In recent years I have been the invited speaker before several units on the topic, "I Offer the Love in My Heart to the Party and the People." Each time, when I get to the part on "admonishing the party," I end it with the following poems:

"Life can be so precious, and the cost of love so high,
If we are to find the truth, both may be tossed aside."

"A beheading is not important, just focus on the truth,
Killing Chen Shizhong, who will find his successors?"

Looking back on the winding road I traveled in the past half century, I have learned that: Ideals and beliefs can make a rehabilitated person selfless and fearless. During my labor reform work that passed as slowly as a long night, I was always resolute that "all things will pass, and only truth lasts forever."

Summing up the first half of my life, my greatest belief is: If one is to have the courage to speak the truth, to hear the truth, then there is nothing one cannot say to the party, even if it is at times very painful, because truth is always a million times better than falsehood.

I always remembered the famous remark of Jimiteluofu [1323 4717 3676 3157 1133], "We cannot express man's creative force, saying let me do such-and-such, and then I am such-and-such kind of person, but above all not a Bolshevik." Very recently, in an ideological report to a party committee, I reiterated: "I believe that if decades from now the motherland is disaster-ridden, one of the major reasons will be that the spirit of the second kind of loyalty has not been recognized and carried on."

"Fortunately, history is written by people." (The words of Liu Shaoqi). I believe I am also blessed, that in the not-too-distant future, the maxims "The speaker is guiltless," and "The speaker renders great service," will have gone from theory to practice throughout our Divine Land.

I hope that "the second kind of loyalty" will become widespread.

NATIONAL AFFAIRS, POLICY

Proposals To Accelerate Development in Western Regions

HK2108133189 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 7, 1989 pp 15-18

[Article by Chen Baosheng 7115 1405 3932 and Ma Caibin 7456 2088 2430: "Expedite Economic Development in Western China Amid Improvement and Rectification"]

[Text] The 10 years' reform has brought vigor and vitality to western China's economic development, and has increased the standard of the productive forces in society. However, in the aspect of regional economic relations, the difference between eastern and western China has not been reduced, but is being enlarged. Viewed from a macroeconomic angle, the rapid economic development of eastern China coexists with the stagnant economic development of western China, and the extraordinary expansion of the manufacturing industry coexists with slow growth of basic industries, in particular the raw materials industry. Moreover, there are more and more bottleneck factors, which are constraining the stable and coordinated development of China's national economy. The writers consider that if macroeconomic policies, in particular regional and administrative policies, which are in favor of particular industries, are not aimed at implementing necessary readjustments in transforming the structure of the national economy and in establishing a new regional economic development order, the trend in which more and more bottleneck factors are emerging will worsen. This article is to give several viewpoints on how to expedite economic development in western China amid improvement and rectification, and on how to alleviate the structural contradictions in the national economy.

I. The Difference Between Eastern and Western China Should Not Be Enlarged Anymore

The several 5-Year Plans, which were implemented after the First 5-Year Plan, have basically set up a framework for industry in western China, have developed industry here into a base of important energy and raw materials supply, and have enabled western China to become a region in the upper reach of the Huanghe River where industries are concentrated. However, we should also see that due to the fact that the state's macroeconomic policy implemented over the past several years has been in favor of particular regions, the difference between western and eastern China, which had been reduced, has been enlarged again.

A. In the aspect of price regulation, a favorable and strict price policy has been implemented. Under the old system and through the regulation of an unreasonable price system, the raw materials and industrial products of western China have been allocated by mandatory plans to support the manufacturing industry in eastern China. Under the situation where the price of raw

materials and industrial products is low, a large portion of the value created by the raw materials industry has been transferred to the manufacturing industry in eastern China. Moreover, the items produced by the manufacturing industry in eastern China will be sold at a higher price on the market in western China. On one hand, the price of raw materials is low, while on the other, the price of products produced by the raw materials is high. An unbalanced price situation has thus emerged. This type of unreasonable scissors gap has resulted in transfer of benefits and outflow of funds. Consequently, it has been difficult for industries in western China to accumulate funds by themselves, and funds have been difficult to concentrate. The great pressure on the supply of raw materials, which is brought about by the expansion of the manufacturing industry in eastern China, has also made it difficult for western China to readjust its industrial structure. As a result, the existing enterprises are still under a situation of heavily loaded operation. Under this situation, the limited amount of funds can only be used in extensive production of raw materials, and funds will not be allocated to develop other industries. Consequently, we have been unable to maintain a generally stable economic situation in the entire country. The manufacturing industry in eastern China has made use of the low-priced raw materials supplied by western China to develop extensive processing, and has thus increased the value by many folds of the raw materials they bought. Only with the price-regulating policy which is in favor of eastern China, has eastern China achieved a development speed and a development level very much higher than that achieved by western China. Due to the fact that western China is being constrained by the characteristics of the raw material industry, it will often require a huge amount of investment and a longer period of investment return to increase its productive forces. It can be said that this is a typical "crippled economy"—it has to rely on the principle of unequal exchange prices, has to bear the pressure that it has to support the overall situation, and has to suffer the transfer of inadequate benefits. It has to walk on one leg, and when there is any uncertainty, the overall situation will become unstable. Over recent years, the central government has given great support to western China, has set up key construction projects there, and has given aid to develop the economy of undeveloped areas and areas inhabited by minority nationalities. However, this type of administrative support still cannot remedy the damage caused by the deviation between price and value to western China. Since the implementation of the improvement and rectification program, the state has implemented a series of policies on controlling commodity prices. These policies have been focusing on controlling the price of the products produced by areas at the upper reaches of the Huanghe River, and have put special control on some important raw materials. This method of course can bring short-term effects on checking the increase of commodity prices; however, this method is only an ineffective remedy to check the price increase of products of the manufacturing industry, and in the long term,

it cannot assist the development of the raw materials industry, and it is disadvantageous to structural readjustment. In this way, it is inevitable that a new round of inflation will emerge. This has shown that a macroeconomic policy in favor of particular regions, in particular a price policy in favor of particular products, will, of course, result in great differences in the development situation between western and eastern China.

B. In the aspect of macroeconomic policy, favorable and strict policies have been implemented. Since the 3d Plenary Session of the 11th CPC Central Committee, the macroeconomic policy implemented by the state has on one hand brought effects advantageous to the development of western China and has really played a role in promoting the development of western China. However, on the other hand, such a policy has also suppressed the development of western China. The basic theme of the macroeconomic policy is to allow coastal areas to develop first and to get rich first, and to promote the development of western China through the transformation of central China on the foundation of the priority development of eastern China. This policy has made western China, which does not have sufficient conditions for developing its economy, to find it more difficult to catch up with the pace of development of eastern China. The result is rapid expansion of the manufacturing industry in eastern China and slow development of the raw materials industry in western China. As reform is being implemented, the central government has handed down power to eastern China, and has offered it many favorable policies. However, for western China, apart from giving administrative support, the State has not provided many favorable policies that would expand the power of western China or are aimed at invigorating its economy. Therefore, western China does not have an attractive environment for opening up to the outside world. The state has given support to some exploratory practices implemented by eastern China, and has also given tacit consent to some practices. However, in order to strengthen macroeconomic control, the state has always disapproved western China implementing such practices. The result is that eastern China has been benefited from its initiatives, while western China has been punished for its slow initiatives.

C. In the aspect of the distribution pattern of benefits, western China is poor while eastern China is rich. In view of the investment policy, the state has allocated less and less a proportion of its total investment to western China. Take Gansu as an example: In the Fourth 5-Year Plan period, the state allocated 3.4 percent of its total investment to Gansu. This percentage fell to 1.8 percent in the Fifth 5-Year Plan period, 1.7 percent in the Sixth 5-Year Plan period, and 1 percent in the Seventh 5-Year Plan period. Administrative favorable treatments offered by the investment policy, which is in favor of eastern China, has already resulted in the difference in the economic development conditions among areas. The unequal treatment offered by the central government in the aspect of basic construction scale have thus given

western China, to which no favorable policy has been offered, no reserve energy for development. The result is that the development of eastern China has been accelerated within a short period of time, while western China has to suffer the pain of inflation for eastern China. In view of the income policy, eastern areas, which are enjoying a favorable policy, can have a higher income and wage level. This type of regional high-income policy has rapidly increased the purchasing capability of eastern areas, and the demand of these areas has been expanded. Consequently, commodity prices have increased too rapidly in these areas, and this trend has spread throughout the whole country. Moreover, the increase in the wage of inhabitants in eastern areas is faster than the increase in commodity prices there. Therefore, eastern areas have gained net benefits in this case while western areas are the net losers; the inhabitants in western areas cannot enjoy the high-income policy but have to suffer price increases. The high income and wage level of eastern areas has strong demonstration and transmission effects on western areas, and they have to bear the psychological and social pressure brought about by these effects.

The central government wants to enable eastern areas to develop faster and to get rich first in a certain period of time, it has thus treated western areas unequally by implementing different investment and development policies in these areas, and has adopted a policy in favor of eastern areas in the aspect of allocation of the means of production. There is nothing to be said against it. However, if the development of western China is not accelerated, the policy has to be in favor of eastern China for a long period of time, and the great difference between poor and rich exits for a long period of time, not only areas in the west will be difficult to develop rapidly, the development of eastern China will also be affected. Consequently, a manmade "rift valley" will result in the aspect of regional economic development, and the long-term stable development of the economy will also be affected.

II. We Have To Understand Western China Anew

Some aspects of western China are backward, but not all. The dual structure has brought great contrast to western China's economic conditions. The situation of western China is rather complicated and it cannot be illustrated by a simple theory, and a policy of rigid uniformity should not be adopted. We should, on understanding and evaluating western China anew, make up the deficiency of various theories, and discover coordinated theories to formulate a regional development policy, which will match the law of a commodity economy, on the basis of fair competition.

First, a relative independently industrial system has been established in western China. Take Gansu as an example: an industrial system that has energy, nonferrous metals, construction materials, petrochemicals, machinery, textiles, nuclear, electronics and a medicine industry as its mainbody has been established there.

Many enterprises of these industries are top leaders of those industries. For instance, the Yumen oilfield is the birthplace of China's petroleum industry, and is still an important base for developing oil technology and personnel; its technology for extracting and collecting crude oil has nearly reached world advanced level. The Lanzhou Chemical Industrial Company is the cradle of China's chemical industry, and its chemical materials production technology is already at the world advanced level. The Lanzhou Oil Refinery is the cradle of China's oil refinery industry, and its oil refinery technology has reached the 1970's world level. The state-owned No 404 Factory is the cradle of China's nuclear industry, and has supplied some 10,000 technical personnel to the whole country. Tongcheng's silver industry is the cradle of China's nonferrous silver industry. In the Seventh 5-Year Plan period, it reached the capacity of smelting and manufacturing some 300,000 tons of nonferrous metal, and has become China's largest city producing nonferrous metal. Moreover, it is also a famous city producing nonferrous metal in the world. Jinchuan's reserve volume of nickel is the second largest in the world, and it produces the largest volume of nickel in China—one-fourth of the whole country's total annual consumption volume of nickel is supplied by it. The Lanzhou Petrochemical Machinery Corporation is the largest center of petrochemical machinery production in China, and 70 percent of the oil drilling and extracting equipment used by the whole country is manufactured by it. The Liujiaxia Hydroelectric Plant is the important pillar of China's hydroelectric industry, and it generates the highest volume of electricity among all the hydroelectric stations in the whole country. Until the end of the Seventh 5-Year Plan, Gansu's capability of producing ferroalloy, carbon, aluminum, lead and zinc, and scarce and valuable metals is the highest in the whole country. Many provinces and regions in western China also have their specific strong points. The rapid development of these important raw materials industries will play a decisive role in improving the economic environment, rectifying the economic order, and promoting the long-term stable development of the national economy.

Second, western China is China's richest region in natural resources. Northwestern China has rich resources of energy, and has rich resources of coal, hydroelectric power, oil, natural gas, wind power, and geothermal power. The reserve volume of coal in Xinjiang is about 1600 billion tons, amounting to 37 percent of the country's total reserve volume of coal, and Shanxi has a reserve volume of some 230 billion tons of coal. The drop along the Huanghe River from Longyangxia to Qingtongxia, which is about 1,000 km long, is great, and 15 step-power stations can be built there. This part of the Huanghe River is "belt" rich in hydroelectric power and coal. Western China is also strong in its reserve volume of minerals. According to incomplete statistics, Shanxi has proven deposits of 86 types of mineral products, Gansu has 66 types, Qinghai has 57 types, and Xinjiang has 110 types. The reserve volume of many of these mineral products has occupied a leading position in the

country. For instance, the molybdenum mine in Shaanxi, the nickel, platinum, copper, cobalt, chromite, lead, zinc, and stibnite mines in Gansu, and the potassium chloride, magnesium chloride, and aluminum mines in Qinghai; and Xinjiang has seven mineral products which have the highest reserve volume in the whole country. Most of these mineral resources are raw materials that are currently in short supply, and they also will be in short supply for a long time to come. They are hard currency on the international market, have a high usable value, and have a very strong point in the practical sense.

Third, the economic returns of western China have already reached a substantial standard. Some people consider that the economic returns achieved by western China are not as high as that achieved by eastern China, and use this as the basis for the implementation of a macroeconomic policy in favor of particular areas. In fact, this is a superficial phenomenon. The real situation is that the unreasonable price system has seriously distorted the economic returns of western China. Take the price difference between the market price and the procurement price of the means of production, which emerged after the implementation of the dual-track system. For example: Over the recent years, the total annual price difference between the procurement price and the market price of some 10 types of important raw materials produced by Gansu amounted to about 3 billion yuan. We should say that the present market price still does not reflect the requirements of the law of value and the changes of the relationship between market demand and supply. However, even under the seriously distorted price system, the economic returns achieved by western China are not low. The main economic indicators of the leading industries of Gansu, such as the electricity industry, the petrochemical industry, the nonferrous metal industry, and others, are occupying a leading position in these industries in the whole country. In view of the input-output ratio, the amount of profit and tax achieved by silver companies is 2.2 times the amount of investment input by them, that of the Lanzhou Petromachinery Factory is 2.6 times, the Lanzhou Oil Refinery Factory is 7.6 times, the Gansu Knitting Wool Factory is 12.4 times, and that of Liujiaxia, Yanguoxia, and Bapanxia is 4.4 times the amount.

Fourth, in view of technical standards, the quality of the laborers in western China is not as high as that of eastern China. This is an objective gap, and it is absolutely not the case that the quality of the laborers in western China is poor in all aspects. The technical standard of several main industries in Gansu is the best in the whole country. For instance, the Lanzhou stone factory is the first enterprise in China that has obtained state certificates for designing and manufacturing three types of pressure container, and is also the only factory in China that has obtained the qualification granted by the U.S. Machinery and Engineering Society for designing and manufacturing pressure containers. The Tianguang Integrated Circuit Factory has three ranges of products of large-scale integrated circuits, and occupies a leading

position in this industry in the whole country, and the quality of its products has reached a standard comparable to that of similar U.S. products, which have achieved an advanced level in the world. A comprehensive and coordinated system covering work ranging from exploration design to installation of equipment and production has been formed for the nonferrous industry, the metallurgical industry, the light and textile industries, the electricity industry, the petroleum industry, the chemical industry, and so on. Apart from this, there are also scientific research organizations and scientific research groups that have their own characteristics and strong capability.

III. The Acceleration of the Development of Western China Carries Significant Implications

To accelerate the development of the economy of areas in western China has important implications in ensuring the long-term and stable economic development of the national economy.

First, the raw materials industry in western China is an important element of the basic industry in China's industrial structure. Over the last approximately 30 years, industries in western China have provided large quantities of raw materials for state construction. The large quantity of raw materials has supported the industrial development of eastern China, and has indirectly become an important pillar of state finance. Obviously, without the cheap raw materials supplied by western China, eastern China would not have achieved high amounts of profit and tax. At present, the raw materials industry in western China is playing an important role in eliminating the unstable factors in the economy of the whole country, and in supporting the structural readjustment of the national economy. Further development of western China will contribute more to the development of the economy of eastern China and to the whole country's economic development.

Second, western China covers an area of more than half the total area of China, and has a high potential in developing agriculture and animal husbandry. However, due to historical reasons, the agricultural foundation of western China is rather weak, and the resources there have not been comprehensively developed. Many provinces and areas in western China are not self-sufficient in grain supply, and over a long period of time, they have relied on the transfer of grain from other areas, and financially it has become difficult for them to support such transfer. With the development of the economy and the development of various social undertakings, the consumption volume of western China has become greater and greater; thus, this has exerted a great pressure on its agricultural production. Of course, to depend on the state's imports is not meant to be a long-term solution. Therefore, the acceleration of the agricultural development of western China carries significant implications.

Third, China's economic future lies in the western region. The area covered by the western region is broad

and large. The population density there is low, and there is plenty space for various daily activities. The western region has abundant resources for animal husbandry, there is substantial resources for forestry and tourism. The most important point is that there are comprehensive types of mineral resources, and the quality of these resources is high, they are widely dispersed over the region, and their reserve volume is high. Moreover, the region is also rich in energy resources, and the future of the development of these resources is bright. Until the end of this century and at the beginning of the next century, the western region will become the base of the supply of animal protein resources, the base of the production of first-class forests, fruits, and vegetables, the main base of the supply of raw materials for China's industry, and an important base of energy supply.

Fourth, the acceleration of the development in western China also has important political implications. Western China is the region where China's minority nationalities are concentrated, and the present population of the minority nationalities there amounts to about 80 percent of the total population of all the minority nationalities in China. At present, the difference between western and eastern China in the level of economic development and the living standard of the people has become greater and greater. The brain-drain problem of western China has made the leaders at different levels and the broad masses of people there worry. To accelerate the development of western China is an issue relating to the important issue of equality among different nationalities, the unity of all nationalities, and the long-term stability of the country. Apart from this, the western region is contiguous to the border of 11 countries, and constitutes two-thirds of China's border line. If the development of western China is not to be accelerated, there will not be strong national defense, China's international trade will not be prosperous, and the people of different nationalities inhabiting the border areas will not have a stable social environment under which they can live and work in peace and contentment.

From this we have seen that the acceleration of the development of western China will have significant implications in developing the superiority of the socialist system, in accelerating the four modernizations, in comprehensively enhancing the national economy, in promoting comprehensive development of the resources in China, in promoting synchronous development of all nationalities and in enabling people inhabiting in western and eastern China to become rich together.

IV. Several Policy Suggestions on Accelerating the Development of Western China

In comprehensively analyzing the process of regional economic growth, in particular that of the last 10 years, and in comprehensively investigating the current difficulties in the national economy and the present economic development situation of western China, we have

come to the following conclusions on accelerating the development of western China:

—We suggest the state, in the aspect of leading thinking, macroeconomic decisions, and regional development strategy, fix the policy on developing western China as a basic national policy on enabling long-term and stable economic development in China. The specific method is to divide the country, in the aspect of regional economic distribution and in the Eighth 5-Year Plan period, and in the period after the completion of this plan, into the eastern coastal export-oriented development and strategic region, the middle manufacturing and resource development and strategic region, and the western resource manufacturing development and strategic region. In formulating macroeconomic policy, the state should give these three economic development regions generally similar policy environments. This is to enable them to develop their own commodity economy and to have fair competition on the basis of fairness, and to use such macroeconomic policy to replace the current one, which is in favor of particular regions.

—To implement a strategy on opening up the western and eastern regions. At the same time as the coastal export-oriented economy is being developed, the opportunity wherein Iran and Iraq have called a cease-fire, the opportunity of the normalization of the relationship between the USSR and China, and the opportunity that the USSR has withdrawn its troops from Afghanistan, should be tightly grasped, and the opening of the railway between China and the USSR should be taken as a chance to comprehensively develop the western region, and to develop a relationship of economic cooperation between China and USSR as well as between western and East Asian countries. The specific method is to establish several special economic zones and open cities, which are similar to Shengzhen and Zhuhai in western China, in particular in northwestern China, to form a belt, opening to the outside world in western China. Apart from this, the special policies adopted by eastern coastal special economic zones can be implemented in western China in the beginning stage as it is opening up to the outside world. Furthermore, we suggest the state establishes a western development fund in the reform of the investment system, puts this fund under the coverage of the state budget, and uses this fund in key constructions in western China, and in opening western China up to the outside world.

—The relationship between western and eastern China should be restructured in accordance with the requirements of the law of value and the requirements of the establishment of the new orders of a commodity economy. The specific method is to gradually reduce the proportion of the amount of raw materials, which are to be supplied by western China under mandatory allocation plans, to increase the proportion of the amount of raw materials of which the price is to be regulated by the market, to accelerate the reform of the price of raw

materials, and to abolish the “dual-track” system as soon as possible. These measures are to develop economic and technological cooperation between eastern and western China on the foundation of economic contracts, to enable eastern China to support western China, to use the resources of western China to support eastern China, to supplement each other's deficiency and to develop together. For the raw materials industry in western China and new products, a system of sharing profits in accordance with the amount of investment should be adopted to encourage eastern areas to establish stable bases of raw materials in western China. Apart from this, guidance plans should be adopted in guiding the investment in the increased productive forces according to the system of sharing profit in accordance with the amount of investment, and the price of the products of which the profit will be distributed in accordance with the amount of investment should be regulated by the market. Moreover, the present policy which is in favor of particular regions should be changed into one in favor of particular industries, and a competitive mechanism should be introduced in determining key construction projects, and the method of tender bidding should also be adopted in determining key construction projects.

Apart from this, the situation in which theoretical research, news and propaganda, decisionmaking, coordination of work and others are in favor of eastern China, in particular of coastal areas, should be gradually changed, and more favorable treatment should be offered to western China.

PROVINCIAL

Increased Material Supply Alleviates Shortages

*OW2808224189 Hefei Anhui Provincial Service
in Mandarin 1100 GMT 20 Aug 89*

[From the “Provincial Hookup” program]

[Text] Thanks to active efforts to restructure the product mix in industrial production, curtail the size of investment in capital construction, and increase output and revenues and conserve resources and expenditures, Anhui has achieved preliminary success in its economic retrenchment. The sharp drop in the reserves of certain principal production materials noted early this year has been reversed, demands have decreased, and reserves have increased.

Statistics show that, by the end of July, the reserves of coal, rolled steel, and cement of state enterprises—which hold 90 percent of the reserves of principal production materials in Anhui—was respectively 41.5, 2.1, and 33.3 percent higher than those recorded earlier this year. Their reserves were respectively 5.1, 0.4, and 10.9 percent higher than those recorded at the end of June. The growth in reserves means that the supply situation has changed for the better. Furthermore, the shortage of

construction materials and such popular rolled steel as sheet steel and (?silicon) steel plates has also been alleviated.

Although the reserves of the principal production materials are higher than those noted early this year, supply is still strained and manufacturers in Anhui cannot afford to be overly optimistic about the supply and demand situation. Continual efforts must be made for the second half of the year to increase output and revenues and conserve resources and expenditures so as to increase effective supply and ensure normal material supply.

Heilongjiang Cuts Back on Projects, Investment

SK2808122889 Harbin Heilongjiang Provincial Service in Mandarin 0900 GMT 26 Aug 89

[Text] During the former period, our province scored certain achievements in checking the projects under construction and curtailing the scale of investments. However, this has not achieved the desired results. Therefore, Tian Fengshan, vice governor of the province, delivered a speech at the provincial telephone conference held on 26 August on coping with this problem, in which he pointed out that efforts should be made to adopt decisive measures to resolutely curtail the scale of investments in fixed assets.

Since October 1988, the number of investment projects in fixed assets that have been suspended or delayed by the provincial authorities has reached 205 and the total sum of investments cut has reached 1.28 billion yuan, or 18 percent of the province's investments in local capital construction and technical renovations. Thus, the scale of investments in fixed assets has been brought under certain control. However, such achievements still lag behind the state's demand. There are still some problems in bringing the investment scale under control and managing the construction projects. Some localities have not worked out their investment projects in line with the established procedure and have approved by themselves or arbitrarily opened 14 projects concerning small-scale beer breweries and the dairy industry, whose development deserves to be under control and must be approved by the provincial authorities in line with the regulations. Problems of conducting capital construction in the name of building marketable houses have often occurred.

Vice Governor Tian Fengshan urged various localities to enforce strict responsibility systems of curtailing the scale of investments in fixed assets. Leading personnel concerned and responsible persons who have approved the projects that surpass the province's fixed targets, that have not been submitted to the provincial authority for approval in line with procedures, that have been formulated blindly or by practicing fraud, and that have been duplicated should be called to account politically without any indulgence and tolerance. In principle, during the latter months of this year, no one is allowed to open new projects. Projects that have surpassed the plan and that have been approved by overstepping authority should be suspended immediately. Departments in

charge of capital construction, power and material supplies, banks, and industrial and commercial bureaus, should treat the projects in line with the order to suspend or delay the building operation. Departments in charge of planning, audit affairs, banking, supervision, statistics, and construction should make concerted efforts to do a good job in their inspection and supervisory work. The key point in this regard pertains to projects that deserve to be suspended or delayed in construction, that exceed the plan, that have been approved by overstepping authority, that have been newly opened, that involve construction of office buildings and guesthouses, that are not in conformity with the state and provincial industrial policies, and that are not covered by the plan.

Vice Governor Tian urged party committees and governments at all levels to proceed from the interest of the overall situation and to engage in seeking truth and dealing with specific matters relating to work to fulfill the tasks set by the state with regard to checking the projects, curtailing the scale of investments, and carrying out readjustment.

FINANCE, BANKING

Four Problems in Financial Reform

40060694 Beijing JINRONG SHIBAO in Chinese 20 Jul 89 p 2

[Article by Feng Zhengqin 7458 2973 2953 and Wang Chunhua 3769 2504 5478: "Four Difficulties With Financial Reform"]

[Text] Due to incomplete theoretical preparation and complex technical operations, and in spite of successes attracting contemporary attention to financial reform, there are some difficulties which are worthy of study and deliberation.

Difficulty No 1: Is the Macroeconomic Regulation and Control of the Two-Class Banking Organizational System Growing Stronger or Weaker?

In September 1983, along with two workers' branch banks, the People's Bank of China made maximum use of the special powers of a central bank, symbolizing our thorough smashing of the highly centralized, one-class banking system, and thereby entering into a two-class banking system under the professional banking leadership and management of the Central Bank. Theoreticians at that time were especially optimistic, believing that this method created "a group of dragons with a leader," while also not blindly "controlling the waters." The use of the savings reserve system is like installing brakes on a car that had no brakes; it will not be in danger of losing control. However, several years of practice have shown that China's monetary situation is still out of control, or partially so. In 1988, a surplus of currency in circulation, coupled with double-digit inflation, demonstrated even more clearly the power of the central bank's macroeconomic control. This was bound

to cause some puzzlement among people—why does the two-class banking system not strengthen macroeconomic control, but instead repeatedly does the opposite: a loss of control?

The writer believes that during a period of socialist reform, because the mechanisms for overall economic restraint are not yet established, it is very difficult to attempt strengthening macroeconomic control through a two-class system. This can be likened to installing in a reservoir which has but one sluice gate that will not shut tight, several identical small sluice gates which also will not shut tight, thereby increasing the discharge capacity, while not increasing water storage. We are by no means saying that China should turn back from its two-class banking system; rather, we are making a proposal that we jointly study how China's banking system reform and its economic reform can be made to suit one another. Otherwise, it will be difficult to avoid the predicament of being out of control—then retrenching—again going out of control—then retrenching again. It will also be hard to avoid frequently adding to the amplitude of economic cycles.

Difficulty No 2: Are China's Current Interest Rates an Overall Lever or are They "One Lever Cut Into Two?"

Interest rates are the particular price of money as a commodity, and reflect the degree to which funds are scarce. Consequently, in contemporary macroeconomic management, interest rates function as an effective regulatory tool, even allowing the central bank to use them as a flexible tool for exerting pressure on the economy. However, it needs to be noted that interest rates on deposits and interest rates on payments must be taken together if they are to have any use as an overall lever. But China's current interest rates are not exactly an overall lever: it is "one lever cut into two" with different interest rates for both deposits and loans. On deposit interest rates, in order to deal with an inflation rate coupled with a serious shortage of funds, the banks on several successive occasions raised the interest rates on deposits, especially on savings deposits. Even though there is a definite gap between the current actual interest rates and the nominal interest rates, this half of the lever on deposits had a positive effect in attracting funds. Some people, on the basis of an analysis of data from 1978 to the present, concluded that this trend of China's residential deposits increasing by approximately 70 percent was due to the rise in depository interest rates.

On the contrary, the other half of the lever is the loan interest rates, often unpopular and having undergone adjustment several times, was still limited in scope. Many people believed that, before China's microeconomic foundation was completely reconstituted, loan rates lacked flexibility. If loan rates were raised too high, not only would there be no way to "leverage" economic benefits, it would be too easy to "leverage" prices. Therefore, low interest rates were still somewhat safe. This way, in a situation where the range of loan rates on payments were much lower than the range of interest

rates on deposits, the originally inflexible loan rates on payments would not only become even more inflexible, they would also lose their function as a lever.

If interest rates on deposits and loans were made into two different levers which do not evolve at the same pace, this would result in a lack of coordination function. This would make it impossible to control the economy. Moreover, this would hurt the lever users—the banks. Looking at the current interest rates of both deposits and loans, the annual interest rates on savings deposits for the 1-year period are identical to those annual interest rates on loans for the same period; for a period of more than 3 years, the annual interest rates on depository savings with the added value-guaranteed subsidy rate are both far higher than the interest rates on loans for the same period. This phenomenon alone swallowed up the greater part of the specialized banks' profits. This is contrary to the reforms in running these banks as enterprises, causing the specialized banks to sink into a predicament from which it is difficult to free themselves. The writer believes that if China is to use interest rates effectively as leverage, then the two separated parts of the interest rate leverage must be correspondingly connected, not making it unusually "mystical," nor letting it be so inflexible as to be stagnant.

Difficulty No 3: Is the Competition for Interest Rates on Savings Deposits Competition or Tangled Warfare?

One of the objectives of financial reform is to let all specialized banks compete with one another so as to increase their vitality and raise their benefits. The bank operations that had opened up for competition the earliest were the ones that attracted savings deposits. The phenomenon that "industrial banks going into the countryside, agricultural banks entering the cities, inland banks going out to the coast and manufacturing banks having completed the construction of their buildings" has existed for several years now, and the four large specialty banks plus exchange banks, trust companies, credit cooperatives, post offices, and others are all fighting in a frenzy of a "territorial war" for savings deposits.

Competition should not be blind, but should be the most economically beneficial. It is possible that in their competition for savings deposits, our financial institutions are ignoring regulations and their benefits. In order to attract customers, they would do anything to engage in cutthroat competition which runs counter to national financial programs, policies, and principles. In order to compete for spheres of influence, they would do anything to build savings deposits stations. As a result, there spread throughout the entire Chinese landscape rows and rows of savings deposits stations. In order to increase volume of deposits, all kinds of tricks were employed: raising interest rates, implementing public relations, awarding prizes, entertaining guests, presenting gifts, surprise packages, and so on. This has resulted in savings deposits being shifted back and forth between banks, with a great drop in benefits to the banks

and to society. This works against the goals of competition, and runs counter to the policy of modernizing banking operations.

Clearly, competition by the various financial institution for savings deposits has turned into a tangled warfare for these deposits. If this continues, every bank will be pulled down, and the nation will be hurt badly. Therefore, there must be an end to this kind of unprincipled and harmful competition, and new procedures established for financial competition.

Difficulty Number 4: Is the "External Cycle" of Monetary Funds a Step Forward or Backward for the Credit System?

China formed a dual financial structure for reasons that are both historical and objective; at the present, modern bank credit and traditional people's credit exist side by side while the circulation of modern credit instruments exist alongside the circulation of large-volume cash reserves. Hence, China's credit system is a long way from modernization. Starting in 1988, there appeared a serious situation in which monetary funds were circulated outside of monetary funds external from the banks began to appear in China, with large the banks. For nearly 10 years, the proportion of China's cash reserves to the total currency supply (deposits plus cash reserves) was relatively stable, with the cash reserves' proportion of the total currency supply holding at about 19 percent, and deposits always increasing more rapidly than did currency. But an abnormal situation appeared in 1988, showing an opposite trend.

This "external cycle" of monetary funds poses two problems for us: First, reform of the financial system has fallen seriously behind reform of the economic system, with banks passively "managing" and "keeping the status quo;" not only "forcing" out large volume of monetary funds, but also lacking sufficient attraction to unused funds. Second, reform of the economic system is incoordinate, making large volume of cash transactions outside of bank management with a purposes of evading supervision, covering up bribery, profiteering, tax evasion, graft commissions, and other such illegal practices. Therefore, the road to resolution of monetary funds' "external cycle" would be to go through both internal and external reform of the banks; to reform only one bank is not enough.

State Council Issues Circular on Taxation Inspection

OW1309055189 Beijing XINHUA Domestic Service in Chinese 0930 GMT 12 Sep 89

[Local Broadcast News Service]

[Text] Beijing, 12 Sep (XINHUA)—The State Council's Office of General Taxation, Financial Accounting, and Price Inspection has issued a circular today, calling on all

departments, companies, enterprises, and units to immediately work out arrangements for conducting the self-examination before 15 October, in line with the spirit and requirements of the State Council's "Notice on Launching the 1989 General Taxation, Financial, and Price Inspection."

The circular says: The 1989 general taxation, accounting, and prices inspection is an important measure in implementing the guidelines adopted by the 4th Plenary Session of the 13th CPC Central Committee to combat corruption and "official profiteering," reinforce discipline, strengthen the legal system, and successfully carry out the drive to improve the economic environment and rectify economic order. While examining their own tax payment, financial accounting, and observance of the price regulations, all departments, companies, enterprises, and units should enhance their awareness, assume a correct attitude, and get rid of the idea of trusting to luck by taking the initiative to examine any violation of the law and discipline which they may have committed and report the violation to higher authority, instead of trying to cover up or minimize it. Violation of law and discipline uncovered and reported to higher authority during the self-examination period should be handled leniently. Otherwise, it will be punished severely without exception, according to the relevant state regulations governing penalties involving financial accounting, tax payment, and prices.

COMMERCE

Computer Software Market 'Bleak'

40080215b Beijing RENMIN RIBAO in Chinese 8 Jul 89 p 5

[Article by Zhang Yanlin 1728 1750 2651: "The Distorted Software Market"]

[Text] On the tide of the new technology revolution, electronic computers have quietly worked their way into factories and mines, the countryside, and homes, and they are in widespread use by all sectors. According to preliminary statistics, the installed base of computers in China has reached 290,000 units, and it grows at an annual rate of 70,000 units.

The "soul" of the computer—software—is increasingly finding favor with users, and it is most likely to be a fast-selling product. However, a person in authority at the State Commission on Machine-Building's China Computer and Information Research and Development Center recently revealed that China's software market is getting more and more bleak, with no more than 20,000 pieces of domestically produced software being sold each year. There are more than 30,000 software technicians in China at present, but with only \$5 million in software export volume, China's exports are about the same as the Philippines', which has only about 1,000 software technicians.

Why should the software market be so abnormal? Is it a lack of supply of goods, or is there greater supply than demand?

The Desolate World of the Software Business

As this reporter stepped into the China Software Technology Company's (CSTC) Software Business Center, Young Ni, who is in charge of sales, remarked, "The software business is really tough. This year, the 'Chinese-Character Input System' that we spent half a year developing, and of which we thought we would sell more than a thousand copies, stopped getting any inquiries after selling only 400 copies. Even more surprising, the software design aids we developed sold only two copies, after which we just locked them back up."

Other marketing units had the same sort of tragic tales. This reporter could not help asking at a software company, "Are there still technical problems to be overcome?" Several young people shook their heads, and all at once they came out with a stream of technical specifications, and went on to give me a demonstration of the "Naturally Coded Chinese-Character Input System," on which was written the following: "All who would buy the 'Naturally Coded Chinese-Character Input System' may first place a deposit of 40 yuan RMB [renminbi] (or proper credentials), and you may test the software for 1 month. When you are satisfied, pay the price, and if not satisfied, return the product to retrieve your deposit or credentials."

Even with this kind of knack for doing business, sellers in the software business have had a hard time being successful. Being unable to sell seriously affects the enthusiasm of the developers. The China Computer Systems Engineering Institute is a software development unit with abundant resources. Over the past few years, they have invested more than 500,000 RMB to painstakingly develop five editions of the CCDOS software series. After going on the market, they have sold only some 500 copies, which have just returned their costs. The institute director, Li Manjun [2621 2581 0193], said sadly, "How are we going to develop software products again?"

The Bustling "Knack of Doing Business"

Although the software market is very bleak, it still appears abnormally "bustling."

One computer company, mindless of cost, placed a full-page software ad in JISUANJI SHIJIE [CHINA COMPUTERWORLD].

At a marketing convention, a military command academy publicly sold repackaged software technology.

To build a name for its computer, one marketing department gave away pirated software for free.

To sell its products, one computer institute went so far as to give away software encryption and decryption materials, and even had compulsory encryption and decryption training sessions.

With such an active software market, what is reflected therein is a market image that is distorted and deranged.

Chen Chong [7115 3095], in charge of the software office of the State Commission on Machine-Building, said that the development and circulation of software has just begun to flourish in China, and the fact that we have not yet formulated final unified rules for the development, management, and use of software has given rise to certain difficulties in the circulation of software in markets, and has added a certain amount of confusion.

Li Jun [2621 6511], a systems engineer with CSTC, said that it is an important characteristic of software that it can be copied, and in this age of weak self-discipline and imperfect rules, there will be uncompensated copying and passing on or resale, from which phenomena arise "software pirates" and excessive encryption and decryption, all of which is abnormal.

At this point, Li Jun could not help but reply with a heavy heart that this freakish flourishing of the current software market should put us on our guard because this is not only conducive to the propagation of illegal activity, but is harmful to the rights of owners of intellectual property.

Placing Our Hopes on Law and Order

The bleak aspect currently presented by the software market in China is, after all, a reflection of a legal problem.

There are at present many countries in the world setting up rules and regulations for software. Following upon the 1976 revisions, in 1980 the United States Congress further amended the copyright laws, including computer software within the category of works of art, clearly using the copyright laws to protect the property rights of computer software. And some countries have used critical rights protection and exclusive legislation to safeguard the development and use of software.

Beginning in August 1985, China officially authorized 16 ministry commissions, such as those in the Ministry of Machine-Building and Electronics Industry, the Copyright Office, and the Patent Office, and five developed provinces and municipalities, such as Beijing and Shanghai, to raise money for the work of drafting software laws. As of this time, the draft has been changed three times, and it is hoped that before year's end it can be turned over to the Standing Committee of the National People's Congress for consideration.

And also many experts believe that sole reliance on the implementation of software law will still not be enough, and that we should use various channels to strengthen people's ideas about respecting knowledge and skills. On the one hand, we must educate people regarding use of law to protect their own legal rights, and on the other hand we must self-consciously respect the intellectual

property of others, by which actions we will constitute the external environment for a just and harmonious market.

Others have recommended that we strengthen overall management of the software market, creating a single line that incorporates production, supply, and marketing to avoid duplicated development and low-grade cycles and highly difficult projects that are divorced from reality. Instead, we should use the system of economic law to evaluate the development and circulation of software.

LABOR

Arbitration Committees Resolve Labor Disputes

*HK1109020689 Beijing CHINA DAILY in English
11 Sep 89 p 3*

[By staff reporter Li Hong]

[Text] Since they began operating two years ago, Beijing's labour dispute arbitration committees at all levels have been hailed by both workers and enterprises for their role in upholding the lawful rights and benefits of both sides in more than 230 cases.

A Shangri-La Hotel labour dispute, a case involving two women who were fired eight months ago, causing a big uproar in Beijing, will be decided by the municipal Labour Arbitration Committee this month, Lin Qiu, deputy director of Beijing Labour Arbitration Office, told CHINA DAILY yesterday.

In the case, two women, Jiang Wei and Zhang Li, were dismissed from the Joint-venture hotel on January 5 on grounds that they took leave from their posts without permission.

But Jiang and Zhang insisted that they had been granted permission from their department manager prior to taking their break.

The Beijing Municipal Labour Arbitration Committee, the first one in the city, was founded in June 1987. It has branches in 18 districts, and suburban counties.

Of the more than 230 labour dispute cases filed with these arbitration committees, 106 cases have been settled. Of these, the lawful rights of 46 enterprises and 36 workers were upheld, with the remaining 24 cases dismissed.

About 80 per cent of the resolved cases belong to the category of employment and employment termination, while the rest involve quarrels over changes in salary and promotion of the workers, according to Lin.

"All our arbitration organizations are nearing completion with their separate offices and staff members," Lin said. "However our arbitration enforcement team needs training and enlarging."

The organizations are short of funds and communication means needed to do their tasks, according to Lin.

"We also want adequate press coverage so as to add to our social popularity," Lin said.

According to Lin, the arbitration committees have three main functions:

First, they go to localities to ensure that regulations, disciplines and contracts in force at the enterprises comply with state laws. This prevents friction between enterprises and workers. They try in this process to keep small problems from becoming big ones.

Second, they help set up mediation committees in individual enterprises.

And finally, if mediation fails, arbitration committees give a verdict.

According to Lin, if one party is against the verdict, he or she have 15 days to appeal to the courts. If the deadline passes without an appeal, the verdict takes legal effect.

Prior to the emergence of arbitration committees, most labour disputes were heard by the departments dealing with peoples' letters and visits, which depended only on mediation and many cases ended in deadlock.

Since 1986 when the state started its labour reform and the contract system for recruiting workers, labour disputes have been reported on the increase in the city.

POPULATION

Aging Population Poses Social Security, Labor Challenges

*40060680 Chongqing GAIGE [REFORM] in Chinese
No 3, 20 May 89 pp 166-169*

[Article by Feng Lanrui 7458 5695 3843: "The Problems With China's Aging Population"]

[Text] By the 21st Century, China's population will be aging rapidly. This problem has been sufficiently serious to attract the close attention of experts both here and abroad. I will discuss here several ideas on this topic:

No 1: The Problem of Providing for the Elderly

The focus of providing for the elderly should shift from the family to society. It is estimated that by the year 2000 China's population over the age of 65 will have reached 86.5 million, 7 percent of the total population, and nearly double the 49.72 million it was at the census of 1982. By 2040, it will have reached a peak of 260 million, 17.4 percent of the total population (forecast at 1.471 billion). Providing for so large a population of the elderly is a problem that demands attention and serious handling.

According to traditional Chinese custom, the elderly are provided and cared for by their children. For a long time, in our closed, self-sufficient society, the family was the living unit as well as the unit of economic activity, where the unalterable principle was for parents to bring up the children, and the children to support their elderly parents. This tradition should be carried on, but at the same time there should be suggestions as to ways of resolving the social problem of providing for the elderly.

However, in the first decade of the 21st century, there will be no way in which a throng of elderly people constituting between 15 and 20 percent of the population can be totally cared for by their children. First of all, 30 years of family planning in this century, with its advocacy of single-child families, will undoubtedly lead to an excessively large coefficient for the providing generation, and this will be difficult to support. A young couple bearing the responsibility for providing for five or six people (one or two children plus four elders) would be in bad shape, both economically and in their standard of living. Second, as society has developed, the traditional Chinese extended family has begun to disintegrate and has continued to do so, with an increasing number of elders living apart from their children. Due to economic and housing considerations, the children are starting their own small families after marriage. As a result, from the standpoint of the society's developmental trends, the resolution of this problem must lie in shifting the focus of caring for the elderly from their children to society.

The fundamental resolution to the problem of caring for the elderly must lie in establishing and perfecting a system of safeguards. China's current retirement system for employees is separate from society's system of safeguards. However, there are many disadvantages to the present pension system for aging workers:

1. There is no system by which all of society's members can enjoy a pension. The only employees who can enjoy pensions are those of national organs, cadres and workers of work units, and the staff of nationally and collectively owned organizations. Under this system, only about 30 percent of society's members can draw a pension, while about 70 percent cannot. The latter category includes peasants, individuals in handicrafts and a portion of the laborers in collectively owned enterprises. These people depend on their own labor for their livelihood and do not draw their pay from the state. Their standard of living, low to begin with, drops even lower after retirement.

2. Pensions are growing too rapidly for state finances and enterprises to bear. Current old age pensions are borne totally by enterprise and state finances, while individuals pay nothing. By the 21st century, there could be a great increase in the number of those retiring, which, when coupled with the aging population who have already retired, could make it difficult for enterprises and the state to bear alone the burden of large pension funds.

3. There are problems with the current method of raising funds for pensions. In those enterprises which are wholly owned by the people or which are collectively owned, the enterprises assume the burden of workers' pensions. This creates a situation whereby the enterprises support their own elderly, but leads to the inconsistency of each enterprise bearing uneven burdens of either carrying too much or carrying too little; usually the older enterprises bear a heavier burden and the newer enterprises a lighter burden, with some happy and some not. The fact that each enterprise is responsible for caring for its own elderly cannot be beneficial to the development of production and improvement of the workers' livelihood. If an enterprise's outlay for its elderly is excessive, and the share of the enterprise's income consumed by the fund expands, resulting in a decrease in the share of funds devoted to expansion and technological transformation of production, this will also be harmful to the development of production. As the funds consumed are increased, the proportion of funds expended on caring for the elderly increases, while that used for increasing workers' wages and benefits decreases, which will be harmful to workers' remuneration, and will also affect making maximum use of workers, thus limiting the development of production.

4. Some 70 percent of the elderly are excluded from the present retirement system, which is harmful to current family planning and population control. There is no way to change the tradition of "raising children to care for the elderly."

5. It is harmful to the operational scale of agriculture. After contracting output quotas to the household, the people all have a small piece of land. Those peasants who are unwilling to leave the countryside and do not agree to abandon their native plot will have no path to future retirement. If there was social security, peasants who cannot work due to age could possibly exercise leadership in pensions, then need not leave themselves out this way, which will be beneficial to farmland concentration, enhance operational efficiency, and develop the agricultural forces of production.

In short, there are many flaws in the current retirement system, and in the 21st century, as the aging of our population accelerates, the flaws related above will become even more prominent. In order to resolve the problem of caring for our future elderly, we must start out now to progressively set up a social security system.

The new social security system must be one that can be enjoyed by all members of society. In addition to workers, cadres, and peasants, it should include those employed in various kinds of economic categories. And, not only the employees themselves, but the members of the workers' and peasants' households should be able to participate in the social security system on a voluntary basis.

The new social security system should implement a system of old age annuities. Pensions for the elderly, and

funds for caring for them, should not be the sole responsibility of the state (for the cadre) and the enterprise; rather, some of the burden should fall on the employees themselves and the units to which they belong. In the past few years, China's coastal areas and special zones have begun to implement a contractual system of old age insurance; the insurance funding is nominally a joint responsibility of worker and enterprise, but in actuality the worker pays very little, so the burden is basically that of the enterprise. In the Federal Republic of Germany, old age insurance currently takes up 18.7 percent of total wages, with labor and capital both contributing 50 percent. We could draw on the experience of the Western nations in this regard.

In order to establish a new system of social security, there needs to be more theoretical research, to draw up an objective model in conformance with China's national characteristics, and also to formulate a plan for its progressive implementation. Social security is a right of the people, and should be protected by law. Therefore, there must first be formulated a social security law and implementation principles, stipulating the methods for providing the old age funds, the methods of caring for it and using it; these are all very complex and painstaking tasks, which demand conscientious work. In addition, two more points should be noted: First, what enterprises and individuals pay into the old age fund should have special management by security organs and not be included in general public finances. In the past, some East European nations included old age funds in public finances, and used these jointly, which affected the incomes of retired personnel by greatly decreasing their retirement fund, so that they found it difficult to make a living. In view of this, we must set up a special organization for managing old age funds, so that these funds cannot be put into public finances, nor diverted to other uses. Second, in order to avoid inflation and price rises causing devaluation of the funds raised for caring for the elderly, the old age insurance organs can invest the money in the fund, which will increase it. This will ensure that after the elderly have retired, there will be enough in the fund to provide for them.

No 2: The Problem of an Aging Work Force

The labor force is aging at an even faster pace than the population. It is estimated that by the year 2015 as much as 60 percent of China's working-age population will consist of people over the age of 45. At that time, China will go from being a nation with a nearly unlimited supply of labor to one with an inadequate supply. (Although, due to changes in the manufacturing structure and other reasons, there will still be people who will be unemployed, the rate of unemployment will be still very low and it will not become a major problem.)

According to forecasts, in the year 2000 China's labor supply will make up 53 percent of the total population (1.248 billion), and by 2015 this proportion will have dropped to about 40 percent. Afterward, because of the

falling birth rate during the last 30 years of this century, the supply of labor in the population could drop even further.

The inadequacy of the labor supply and the increased number of older people in the labor force could first have a negative effect on development of the national economy; expansion of production and opening up new industries could run into the problem of inadequate labor resources. Further, it could affect our annual supply of replacement soldiers, which would be harmful to strengthening our nation's defense.

In the past several years there has been a divergence of views among Chinese scholars concerning this problem of an aging future population and the labor shortage that will accompany it. One view holds that through 21st century science and technology, the production rate of industry will be very high, technology-intensive industries will multiply, and this will decrease the labor force required, therefore the labor force problem will be no cause for anxiety. It cannot be denied that along with the development of science and technology, some industrial departments will replace the labor they need with technology. However, it should also be noted that scientific and technical developments could open up new industries, creating a new need for labor. Looked at it from the trend of societal developments, a rise in the labor production rate and the progress of science and technology always expands society's needs and stimulates production, and thereby opening up new industries and increasing employment. The "third wave" of computers will displace a large number of workers, while development of the computer software industry will add many thousands of positions. Therefore we cannot believe that improving the forces of production and developing science and technology cannot create a labor shortage problem.

We must see clear-headedly that in the 21st century, China will face a situation in which there will be a labor force crisis and an aging labor force. This will be a negative factor in developing the national economy and modernizing and strengthening our national defense. We must approach and deal with this conscientiously.

First, persist in and improve our family planning work. The goal of family planning is not only to control population increase, but at the same time is to regulate the annual birth rate, so that there will be a more balanced annual growth in the labor force. Specifically, it is to encourage a young couple to have one child, while at the same time permitting them to have two. However, the time for having their second child will be suitably postponed. For example, have one's firstborn at about the age of 25, and the second child after the age of 30. This way the suitable intermission can make for more balance in that proportion of the labor force which annually grows too old to work, while it might also postpone our reaching a critical situation with our labor force. It might also avoid the occurrence of a shortage in the labor force and increased employment pressures.

Second, raise the quality of our labor force, to compensate for its inadequate numbers. In the next century, the quality of China's labor force will be greatly increased as we fulfill our strategic goals for the year 2000.

Education is the key to raising the quality of the labor force. In order that the various departments and industries in the national economy of the next century have an adequate supply of good workers, we must vigorously take charge of education from now on. The state should make an appropriate increase its outlay for education, while at the same time it should have an open policy for educational fields, advocating and encouraging society's fund raising for schooling and private schooling, to make up for inadequacies in the nation's outlay for education. There should be a raise in remuneration for intellectuals, encouraging young people and children to work hard in studying culture and science, and master their knowledge.

High quality assures high efficiency. High efficiency can decrease the number of workers required, and mitigate the contradiction of an inadequate labor supply.

Third, extend the working age limits, to postpone retirements. China's current retirement system stipulates a retirement age of 60 for men and 55 for women. This was fixed in the 1950s, and has been basically unchanged for several decades. Looked at it from the standpoint of the quality of health of China's population and labor supply, this is in accord with China's past reality. The situation has changed now, and results could possibly appear soon after the retirement age is extended. In the past several years, a great many cadres and workers after their retirement have been hired by their own or other units. A large group of technical personnel and skilled workers have taken on responsible work in small town enterprises, and have been of major use in the development of these enterprises. Others were left with nothing to do after retirement, and sank into depression, which hastened their growing feeble in both body and mind. The facts show that the retirement age can be pushed back. In the next century, the state of people's physical health will improve, working conditions will be better than they are now, and a 5-day work week will be in effect, all of which will make a later retirement age absolutely possible. Doing it this way will not only enlarge the work force and increase the number of producers, as a remedy for an inadequate labor force, it could also be sufficient to reduce the burden of retirement funds, and benefit the development of production. It could also have benefits for the health of older persons, and will definitely be welcomed by employees. At the same time, those who are in ill health or do not wish to continue working can be permitted to retire earlier.

Fourth, make full use of the resources of the labor force. For the past half century, China has been a nation with a nearly unlimited supply of labor. For various reasons, serious squandering of the labor force has occurred. Especially alarming has been the waste of qualified personnel. This state of affairs must be changed in the 21st century. Under conditions of a relative shortage of

labor, making maximum use of the resources of the labor force can alleviate the labor shortage. Moreover, doing it this way can resolve a series of problems and persist in carrying out reform.

The first step is achieving "urbanization," completing the transfer of the surplus agricultural and industrial labor force, which will move more than 200 million in that labor force into the various spheres of the national economy, and take full advantage of them. In recent years, more than ten million in that surplus labor force have been shifted, and their mobility has become an undisputable reality. The barriers between town and country have already begun to break down. However, the rules and regulations which restrict movement of the labor force are still unchanged: the peasants are still worried about trouble back home, so that they have not determined on a thorough transfer; rather, the majority of them opt for the "double employment" or "straddling two boats" model. These problems require research to resolve them. Secondly, the problem of redundant personnel in enterprises (state-run, older collectives) demands resolution; a decisive factor in changing the present situation of wasting the labor force through over-staffing. The current implementation of "perfecting the composition of labor," which chose the method of "being unemployed within the plant," has progressed from not acknowledging that there is an unemployment to acknowledging that there is an "unemployment within the plant," has changed unemployment from a secret into something public. This is a step forward from the past, and will aid in thoroughly eradicating the view that unemployment does not exist in socialist nations. However, enterprises are limited in their ability to absorb surplus personnel on their own. Especially now, when the many thousands of enterprises which are incurring losses would find it very difficult to absorb surplus personnel. After implementation of the bankruptcy laws, bankrupt enterprises find that they cannot maintain themselves; if they shut down and cease operations, how can they talk of absorbing surpluses? Therefore, we can predict that those unemployed in factories and plants would inevitably go into society and join with society's unemployed and with peasants who have moved into the cities to form a labor market, which under conditions of fair competition will seek the means of production to realize the best opportunity. Full development of the 21st century labor market, with maximum positive use of employees and full utilization of labor resources will not only be sufficient to raise economic efficiency, it will, moreover, sufficiently compensate for an inadequate labor supply.

AGRICULTURE

Analysis of Problems in Development of Rural Economy

HK1708094189 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 7, 1989 pp 19-21, 60

[Article by Xiang Congzhi 4161 1783 2535 and Wang Guohe 3769 0948 0735, edited by Li Fei 2621 7236: "Challenges Confronting the Rural Collective Economy and the Countermeasures"]

[Text] **I. Understanding Afresh the Strategic Role and Functions of Rural Collective Economy**

Collective economy is a kind of socialist economy owned by the public rather than a subordinate or transitional economy. Its substance and continuation is more comprehensive than the state-owned and other economies. Its mode of operation is so flexible that it can absorb large quantities of laborers, requires little investment, and yields quick results. Hence, it better suits the situation and China's level of productive forces which are in the preliminary stage of socialism. It may concurrently run several industries, permeating into different social strata, and is so robust that it is an effective pattern for China to greatly develop its commodity economy. To restore and promote the collective economy, therefore, has an important bearing on the political issue of consolidating public ownership and taking the road of socialism, and the economic issue concerning ways to promote a sharp growth in the rural economy. We should thus understand and reassess the collective economy.

Despite adoption of operations by rural families, the ownership of the major means of production by collectives remains unchanged. Land is still the major component part of the collective economy. A collective simply acts in accordance with the principle of two-tier operations and systematically contracts out land to peasant households for operations. Though peasants have gained autonomy of operations, they still need collectives as their source of arrangements and services before, during, and after production. They also need collectives to solve their real problems in that "there is no way for them to get rich because they lack the appropriate technology and capital." Without the leadership and control of the collective economy the household economy may completely return to the small-scale agricultural economy approach, so that the efforts spent on rural reforms over the past decade will simply be meaningless. In fact, our experience of agricultural reform during that decade fully indicates that it is impossible for other kinds of economies to substitute the roles and functions of the rural collective economy in terms of promoting comprehensive economic development.

A. It is favorable to strengthening the cardinal status of agriculture under the conditions of diversification. Rural collective economy is developed on the basis of agriculture. It is very difficult to guarantee a continuous steady growth in agriculture by using the present agricultural practice whereby households work on land in many different ways. Collectives may use the authority entrusted by law and policies, and through administrative and economic means, to supervise and impose restrictions on contractors who abandon their contracted farmland and wasteland and who cultivate the land by way of extensive farming. They may also provide comprehensive services to family-run operations and promote and modernize the application of science in agricultural production in the areas of the means of production, purchases and sales of agricultural products, technical training, irrigation construction, agricultural

machine-building, and so forth. Particularly because the present price parity between industrial and agricultural products is irrational, and those who till the land only earn low incomes, while the state is unable to allocate more funds to subsidize agriculture, collectives are naturally responsible for the maintenance of a steady growth and high yield in agriculture. Collectives may make use of their organizational power to develop rural industries at a higher level. They may increase the income of peasants and the value of agricultural products through processing and, on the other hand, utilize their economic earnings to run industries that are supplemental to agriculture, to strengthen agriculture's basic position.

B. It is favorable to developing nonagricultural industries in the rural areas. At present, the nonagricultural industries in rural areas are mainly secondary and tertiary ones. These basically derived from the "parent" of collective economy. Some of these industries grew by means of long-term accumulation by collectives, others were decentralized by collectives to peasant households for operation, and some were developed on the basis of enterprises originally suspended by collectives. Yet others were established with sites and capital provided by collectives and some were jointly formed by collectives and peasants. No matter what the nature of the rural enterprises, the participation and assistance of collectives are more or less involved in their establishment and operations. Any person who either renders his labor service or does business is entitled to part of the assets of his original collective. Though his main effort is no longer on agricultural production, he never cuts the link to the native place in which he was brought up. He will forever be a part of a collective economic chain. According to our survey conducted in the rural areas of Yuncheng Prefecture, Shanxi, more than 70 percent of nonagricultural households started their businesses with the help of their collectives. All of the business of individuals and private enterprises which have been maintaining close contacts with collectives is normally run. Those which were terminated and scrapped in recent years were mainly enterprises established by individual peasants and funded with their own capital.

C. It is favorable in optimizing the factors of the rural productive forces. The key to completely emancipating and developing the rural productive forces rests with optimization of all factors to these productive forces. An absolute majority of China's rural labor force is concentrated on a limited cultivated area, so that the average cultivated area per laborer is small and both the quantity and quality of agricultural and sideline products are poor. Moreover, China's number of dependents fed by each agricultural laborer is far behind the world average standards. Because the rural labor force cannot be effectively utilized, it is difficult for other factors in the productive forces to become active, so that certain factors were often excessively utilized while some were under utilized. Consequently, the development of rural productive forces has been hampered. In order to realize optimization of factors in the rural productive forces we

must break through the situation where "800 million peasants cook rice to eat." The collective economy in the rural areas is more powerful in this respect. It may open and develop labor-intensive productive industries to absorb more laborers and, in the light of the goals of operation projects, take appropriate management measures to introduce the practice of risk-taking and competition mechanism into various contracted projects so that peasants may do whatever they want and give play to their special skills. This will promote a rational circulation of labor force, which is the most active of the factors, and will in turn bring about optimization of capital, equipment, technology, and other factors in the productive forces, and maximize the overall level of rural productive forces.

D. It is favorable to a comprehensive, steady, and continuous development of the rural economy. The collective economy may support and readjust other economics and guide rural economy development in accordance with the coordinated direction and avoid economic fluctuations. It can represent peasants in establishing comprehensive contacts with state organs and all departments of society. It specifically implements state plans and, on the other hand, feeds back to society various demands put forward by the peasants in the course of production, and flexibly combines the diversified petty commodity production run by families with the market. By using the market demand it organizes peasants to practice regional, societal, and specialized production to minimize operation risks and guarantee a steady and constant growth in the rural economy.

E. It is favorable in leading peasants to achieve common prosperity. Accumulation of collective property is the material basis on which the existence of collective economy rests. Funds and properties under the control of collectives make it highly possible, and offer opportunities, for a constant expansion of the collective economy. So long as a collective has gained economic strength its influence will be enhanced and will attract family operations to rally around it, thereby giving play to its two functions and forming a more perfect two-tier economic mechanism. Eventually, we may lead the peasants to the road of common prosperity. In fact, all collectives whose economics are well developed, and all localities whose two-tier operations are better run, are places where issues concerning rural employment, capital, technology, purchases, and sales are solved well.

II. Difficulties and Challenges in Developing Rural Collective Economy

In the course of popularizing the contracted responsibility system for households with payment linked to output, there were some uncontrollable acts as a result of the absence of constraints, so that the collective economy was seriously impeded. At that time, many localities violated central policies and did not uphold the principle of "centralizing whatever is appropriate and separating whatever should be done." Rather, they adopted the

erroneous practice of "separating and distributing everything." They distributed land plots at low prices, or even distributed them as a welfare, to peasant households for operations, and distributed nearly all the fixed assets and cash in book value (including a considerable part of collective enterprises) of collectives. Such a seriously weakened economic strength forced the collectives to rely on apportionment in order to survive and they were unable to meet various demands on family operations. The straitened circumstances and strategic position of the rural collective economy have fully reflected the ever-increasing difficulties and challenges faced by development of the rural collective economy.

One of the challenges is that the economic basis of the collective economy is weak and the social burden is heavy. At present, a considerable part of rural collectives find it difficult to meet their expenses with revenue. Some have been heavily in debt so that there are "only collectives but no economics." These collectives have slowed down the economic development of the rural areas and the statement about serving family operations is obviously empty talk. It will be impossible to restore and develop these village collective economies without external support. Moreover, most of the rural areas have been subject in varying degrees to the pressure that the internal driving forces of the economy is insufficient and that there are acts of irrational apportionment in society.

The second challenge is that previous mistakes committed by collectives across the country were revealed by achievements made in family operations, so that redevelopment of collective economy encounters psychological obstacles. The practice of "being large in size and collective in nature" in the unitary and ossified "people's communes" system before the 3d Plenary Session of the 11th CPC Central Committee hampered the initiative of the masses in laboring, thereby hindering the development of productive forces. The system of "high concentration", which lasted for over 20 years, almost led China's rural economy to bankruptcy. People had never tasted the advantages of socialism and, in addition, they experienced many sufferings. Therefore, when land plots in the rural areas were decentralized to peasant households for operation, quite a number of grassroots cadres and most peasants were confused by the illusion that "collectives are to be disbanded and farmland shared by individuals." Thus, they erased the concept of collectivism from their hearts. In particular, some comrades who were in charge of theory and rural work met the popular demand and put forward inappropriate viewpoints such as "the practice of family operations means the negation of collectivism." They helped develop the tendency that "the more thorough the distribution of collective properties the better," and confused the collective economy itself with past mistakes made by the collective economy in the course of its development. They were biased toward, and even prejudiced against, the collective economy so that they took family operations as conflicting with it. People's prejudiced attitude against the collective economy has brought about many

unfavorable social effects [she hui xiao ying [4357 2585 2400 2019]: First, nobody stood up and urged others to act in favor of the collective economy because people were afraid they would be criticized as "walking on an old path with new shoes;" second, bank credit departments took a different attitude toward collectives and simply refused to grant loans to poor ones; and third, cadres in the rural areas had no confidence in the development of collective economy and some localities even shared the properties of collectives among themselves.

The third challenge is that the peak period of transferring labor force to individual, private, and combined enterprises in rural areas has passed, though a large quantity of surplus labor has not yet been settled. This puts extra pressure on the collective economy. In the early days after the 3d Plenary Session of the 11th CPC Central Committee many peasants who acted boldly and were good at doing business and management joined the secondary and tertiary industries because the policies were just taken leniently and society offered many job opportunities to peasants. It was the time when China's rural area experienced its first peak period of transferring agricultural labor force to nonagricultural industries. In the wake of in-depth development of urban reforms there were changes in the market. The competition was so keen that peasants encountered limitations in various aspects when joining the second and tertiary industries, so that the transfer of rural labor force entered its low tide. In the future, it will be very difficult to carry out any large-scale transfer of rural labor force that continues to take individual, private, and combined enterprises as the carrier. An absolute majority of surplus labor force in the rural areas can only rely on appropriate arrangements made by collectives. However, the present number of rural collective enterprises is small, their capacity is limited, and any move to continue to develop a high-level enterprise will encounter limitations in many aspects. One can therefore imagine the pressure on the collective economy exerted by the demand for employment by the large surplus labor force.

The fourth challenge is that the wide-open market and unfair competition conditions have seriously affected the development of the collective economy. At present, a major characteristic of the rural collective economy is that it is of an administrative type. Its operation activities are subject to intervention by rural administrative organs. Its resources, capital, sales of products, and so on, rely mainly on the authority of the administrative organs. In the wake of opening the market to all, the administrative organs find themselves unable to intervene in the whole market. While the rural collective enterprises must rely on this intervention in order to survive, they find it very difficult to adapt to a change whereby they have to face the market rather than relying on administrative support. Moreover, in the course of reforms there have been fundamental changes in state-owned and other forms of enterprises, so that the rural collective enterprises have to face direct competition. A

result of such competition is that the weakness of rural collective enterprises, such as those in terms of distribution of raw and processed materials, supply of energy, technology and management, and economic results, were sharply revealed. First, the electricity supply is insufficient. Under the circumstances where there is the shortage of energy supply the state always guarantees power consumption by urban areas and state-owned enterprises, whereas most rural plants are forced to operate intermittently. Second, there are shortages of certain raw and processed materials and equipment. Generally the state does not arrange plans and quotas to rural collective enterprises, thereby limiting these enterprises from expansion and importing new technology and equipment. Many collective enterprises have sustained losses, or even gone bankrupt, as a result of this factor. Third, the policies on taxation and loans are irrational. The state levies uniform tax rates on both state-owned and collective enterprises but it does not offer equal treatment to collective enterprises in terms of granting loan so that the development of collective enterprises has been seriously hindered.

III. Countermeasures Concerning the Development of Rural Collective Economy

In accordance with China's actual situation we should choose the following reform targets in order to promptly restore and expand the collective economy.

A. In light of, and under the precondition of, China's present diversified economy, we should establish the guiding ideology that the collective economy is the subject of our strategy of economic development and promptly boost its strength by perfecting its internal operation mechanism and external environment. We should turn the "honorary subject" into the "actual subject" so that it is capable of tackling the historical task of guiding an orderly development in the whole rural economy.

B. We should focus on the contracted responsibility system on a household basis with payment linked to output and redesign and change the ways of developing the collective economy. We should make use of the present economic basis, gradually expand the collective economy toward secondary and tertiary industries with appropriate funds raised through the issuing of new shares, and eventually form a rural collective economy structure based on the collective-run industries in rural areas.

C. We should separate government administration from enterprise management and political affairs from economic ones. We should streamline the administration and delegate more authority to collectives and perfect the contracted responsibility system for collective enterprises through the practice of risk-bearing and the competition mechanism. We shall thus achieve the goal of separating administrative power from enterprise management (the ownership goes to village collectives, while the rights to operations are to be enjoyed by enterprises

themselves). We should put an end to the situation where rural collective enterprises simply depend on the work of rural administrative organs. The rural collective enterprises would thus become more independent and complete and carry with them the nature of commodity producers.

In the light of the difficulties and challenges encountered by the rural collective economy I hereby propose the following countermeasures for invigorating the rural collective economy:

1. First, we should continue to thoroughly straighten out the assets of collectives and clarify their ownership. China made a great success of straightening out assets between the winter of 1986 and the spring of 1987. However, many localities only superficially carried out this work so that we must continue to do it well. We should resolutely urge people who practiced embezzlement and took advantage of the collective assets to return them within a deadline. Anyone who fails to do so will be charged interest or a fine and anyone who committed serious mistakes in this respect will be held accountable according to law. Second, we should levy appropriate interest on loans granted by and overdue contracted payment and retained profits payable to collectives. In particular, we should recover any part or even all of such land or other means of production contracted to a person who refuses to pay the contracted payment without good reason. Third, we must expressly define the ownership of collective assets. No units or individuals may infringe upon, readjust, or share without authorization, the assets of collectives for any excuse. Though collectives may assign their accumulations down to every household in the form of shares, their ownership still lies with the collectives. A shareholder can only receive dividends derived from the shares and is not allowed to take away any shares. Fourth, we should strengthen the financial management and auditing of collectives and establish and perfect a financial and auditing organization for the rural areas in order to avoid new financial chaos. Fifth, we should make the best use of collective assets. When using assets accumulated by collectives, first priority should be given to boosting the reserve strength of agriculture followed by the establishment of collective enterprises which are able to greatly develop the collective economy. To do well in straightening out the financial affairs of rural collectives is an important step toward restoring and expanding the collective economy and a major issue that should be dealt with first.

2. We should further perfect the contracted system for agriculture and strengthen the basis of collective economy. Through the introduction of risk-bearing and competition mechanism we should emphasize solving problems concerning the use of contracted land at a low fee or free of charge. China's present method concerning the use of rural land generates almost no revenue for collectives. Such retained profits delivered to them do not help them cover their overhead expenses so that investment in expanded reproduction is simply out of

the question. If we do not promptly solve problems concerning such low fees for the use of land, or the free use of land, the first source of revenue for the restoration of collective economy will dry up. It is therefore very important for us to further properly handle the management of contracted rural land.

3. We should gradually eliminate restrictions on the operations and activities of collective enterprises by rural administrative organs. Unlike township and town enterprises, the means of production in rural collective enterprises is owned by the native villagers or a collective of people hired by or living in the villages. They are subordinate to several rural administrative organs which are also the founders of such enterprises. It is, therefore, necessary to "separate the two powers" in the same way as in state-owned enterprises, so that the collective enterprise is freed from administrative intervention. We can take the following specific measures: a) Rural administrative organs remain as founder and owner and only act as the party contracting such enterprises out to contractors without directly taking part in its operations. Such enterprises should have a complete range of decisionmaking power, including the power to making decisions on production and expanded reproduction. b) Rural administrative organs make use of the revenue generated by their collectives for reinvestment and establishing new enterprises. c) Rural administrative organs must change the focal point of their work, provide services and support to the enterprises by means of indirect administration, and properly coordinate the internal and external relations of these enterprises.

4. We should perfect the internal operation mechanism of rural collective enterprises and improve their economic results. We should let collective enterprises take risks and introduce mechanisms for competition, stimulation, and restraint. To popularize the contracted operations and operations through leasing is the most suitable choice at present.

5. We should create a more relaxed external environment for the development of collective economy. Presently, it is impossible to have both the collective economy and the state-owned economy enjoying the same treatment and conditions. However, the state may at least adopt certain preferential policies toward the rural areas and rural industries in terms of pricing agricultural and sideline products, loans, and taxation. For instance, the shortage of means of production and power supply faced by agriculture and rural industries may be made up for in the following ways: The purchase price of agricultural and sideline products can be close to the market price; the tax rates may be appropriately cut so that they will be lower than those levied in the state-owned and other economies; and there can be less requirements and simplified procedures for loan applications. The competitiveness of collective economy can hence be improved to match the state-owned and other economies in the market.

6. We should adopt uniform operations for agriculture, industry, and commerce, and establish a new pattern for the commodity economy. To perfect the regional cooperative economic organizations in the rural areas, and to properly handle the provision of services before, during, and after production are the major tasks in developing the rural collective economy. We must act boldly and build diversified and high-class collective economic organizations involving more than one level of industry. We must greatly develop the integration of agriculture, industry, and commerce; and that of trade, industry, and agriculture, to develop agriculture and rural industries in a supplementary manner and at the same pace, thereby becoming the sources of revenue for the rural collective economy.

7. We should actively develop new production projects suitable for operation by collectives. Though there are quite a number of choice available for investment by collectives, the rural collective-run industries should place their focal point on developing the processing of agricultural and sideline products and projects relating to agricultural production. This is because these projects require little investment and unsophisticated techniques but yield quick profits. This is highly favorable to the development of agriculture. By developing new industries the collectives will transfer on a large scale the agricultural surplus labor force. This will help improve their function of accumulation and speed up the pace of industrialization in the rural areas.

8. We should strengthen our training and improve the overall quality of rural cadres. At present, the quality of grassroots cadres in the rural areas is so poor that they do not know how to handle economic matters and become impotent when facing the backward rural commodity economy and the withering collective economy. Both the state and local governments should invest more in the quality improvement of grassroots cadres in the rural areas. They should establish training centers at all levels and strive to have every rural cadres receive 3 to 5 months formal training on commodity economy within the next 3 to 5 years. Provided rural cadres master the knowledge about commodity economy development, they will generate invaluable social benefits and economic efficiency.

Crop Germ Plasms Stored in Data Banks

*OW1009075189 Beijing XINHUA in English
0609 GMT 10 Sep 89*

[Text] Beijing, September 10 (XINHUA)—China has collected and stored 350,000 species of crop germplasms, one of the biggest reserves of crop germplasm resources in the world, the PEOPLE'S DAILY reported today.

The paper reported that over the past four decades, Chinese agroscientists have conducted investigations in remote areas and organized people to collect over 300,000 species of crop germplasms. The country also imported over 40,000 species.

The country has built two modern germplasm data banks with temperatures at minus 10 degrees celsius and minus 18 degrees celsius, respectively. The national data banks with a combined capacity for storing 500,000 species are also the biggest gene data banks in the world.

Chinese agroscientists have examined a number of species on the quality of resistance to adversities and to pest and disease and selected some to apply in production.

China has also established relations with over 100 countries and international organizations to exchange crop germplasms.

Over 2,500 scientific workers from 400 institutes and departments are engaged in crop germplasm resources work.

Guangxi Ranks as 'Major' Cane Sugar Base

*OW1809051089 Beijing XINHUA in English
0122 GMT 18 Sep 89*

[Text] Beijing, September 18 (XINHUA)—The South China's Guangxi Zhuang Autonomous Region has become one of China's major cane sugar production bases, the PEOPLE'S DAILY reported today.

The Beijing-based newspaper said the region's sugar output accounts for 23.5 percent of the country's total.

With abundant sunshine and rainfall as well as a year-round frost-free period, Guangxi began to cultivate sugar cane as early as in the late Han Dynasty (206 B.C. - A.D. 220).

In the past four decades, the region has applied scientific methods to sugar cane cultivation in line with its local conditions. It has expanded areas under sugar cane from 15,000 hectares in the 1950-51 period to about 278,900 hectares in the 1988-89 season. The output rose from 15 tons per hectare to 45 tons at present.

According to the paper, the region has 93 sugar refineries with a combined daily pressing capacity of 100,000 tons.

The region turned out 1.231 billion yuan (about \$333 million) worth of sugar during the 1988-89 season.

The booming of the sugar cane industry has stimulated the development of other industries in the region, the paper noted.

Guangxi Late Rice Area

*40060740b Nanning GUANGXI RIBAO in Chinese
19 Aug 89 p 1*

[Summary] As of 15 August, the area sown to late rice in Guangxi was 15,130,000 mu, accounting for 84 percent of the planned area.

Official Reports on Henan Rural Economy

HK0809035989 Henan HENAN RIBAO in Chinese
11 Aug 89 p 2

[Article by Vice Governor Song Zhaosu 1345 3564 5126:
"Report on the Progress of Rural Economic Work in the
First Half of This Year"]

[Text] Of the 122 work targets laid down by the provincial government this year, 22 came under my responsibility, according to the provincial government's principle of division of labor. Contracts for these work items were signed with various agricultural units and, after 6 months of effort, two of these items were completed, another 10 which exceeded the planned quotas were completed on schedule, and the remaining 10 were basically completed on schedule. The following is a brief report on the stages of implementation of the chief targets:

Summer grain oil harvests were relatively good. According to the figures, the gross amount provincial summer grain totaled 17.24 billion kg. This was up 1.73 billion kg over last year and represented a 11.1 percent increase. The total amount was larger than in 1984, which had been the year with the highest production record, by 395 million kg. that is by 2.3 percent. The gross rape seed production totaled 265 million kg, 2.2 times the amount last year.

Production in animal husbandry has achieved sustained development. By the end of June, the gross amount of provincial meat totaled 530,300 tons, fulfilling 63 percent of the annual target, and up 18.8 percent over the same period last year. Egg production grossed 366,000 tons, fulfilling 69 percent of the annual plan. The amount of large livestock on hand was 10.552 million, accounting for 100.4 percent of the annual plan. The number of live hogs killed was 5.262 million, representing 63.4 percent of the annual plan. The number of live hogs on hand was 14.71 million, fulfilling 101.4 percent of the annual plan. The number of sheep on hand was 12.029 million, fulfilling 114.6 percent of the annual plan; the above figures for large livestock, live hogs on hand and those killed, and sheep represent respectively a 7.3 percent, 5.1 percent, 12.5 percent, 9.7 percent and 17.8 percent increase over the same period last year.

The development of afforestation was fairly rapid. In the first half-year, a total of 1.98 million mu of land across the province was afforested, accounting for 82.6 percent of the annual plan and up 21.6 percent compared with the same period last year. One hundred forty million trees were planted on the "four sides," accounting for 117 percent of the annual plan and 15.4 percent over the same period last year. Areas planted with seedlings measured 375,000 mu, completing 106.6 percent of the annual plan.

Town and township enterprises have developed steadily. Between January and June, the gross value of completed production was 24.85 billion yuan, accounting for 55

percent of the annual plan and up 25.1 percent over the same period last year. Of this total amount, the gross value of completed township industrial output was 13.84 billion yuan, accounting for 65 percent of the annual plan, an increase of 27 percent compared with the same period last year, and earning a profit of 2.655 billion yuan, with 460 million yuan of profit tax submitted to the state. Both gross output value and profits increased respectively by 31 and 19.9 percent compared with the same period last year. The growth rate for profits is greater than that of output value.

Agricultural irrigation projects saw new developments. In the first half-year, across the province 1.336 million mu were turned into farm fields, which have maintained stable yields despite droughts and excessive rain, and 827,000 mu were added to the total amount of effective irrigation area. Both figures represent respectively 70.3 and 82.7 percent of the annual plans. Of the 16 large- and medium-size capital construction projects listed as under target-management, over 50 percent of most of the follow-up projects were completed. The early phase of new construction projects has been completed.

In accordance with the plan made at the conference for provincial rural work and the focuses of work laid down by the provincial government, in the first half of the year we have achieved a good grasp on the following work:

A. Formulating an agricultural development policy to "heat up" agriculture. The development of agriculture relies on policies. According to the spirit of the conference for rural work held last November, based on our province's practical conditions, early in this year the provincial party committee and government formulated a "decision on further developing agriculture." The document has laid down specific requirements concerning increasing the amount of chemical fertilizers in proportion to grain purchase quotas; strengthening irrigation; building agricultural capital construction, such as the industries that are necessary to agricultural production; increasing agricultural input; setting up agricultural development funds; implementing the strategy of advancing agriculture with technological means; and improving the agricultural ecological environment. The document requested the whole party and cadres of various ranks to learn anew the fundamental status of agriculture and to really strengthen leadership over agricultural production. Furthermore, the conference also studied policies that might help develop animal husbandry and township enterprises. This year, under more stringent finances, the investment in agricultural capital construction increased over last year by 26.7 percent. Expenditure for agriculture itself increased by 12.5 percent. There has also been investment in agriculture in cities and prefectures, though the amounts have varied. All these policies and measures will play a positive function in promoting agricultural production and developing the whole rural economy.

B. Deepening reform and strengthening agricultural developmental power. To resolve agricultural problems,

we must deepen reform and fully mobilize peasants' production incentive. In this respect, we have concentrated on three areas: 1) We have vigorously advanced the two-way contracted responsibility system, which has proved to be a fruitful way to deepen rural reforms. In popularizing this experience, we paid particular attention to the service side within the two-way contracted responsibility system. Undertaken by governments at various levels, a service group combining "technology, materials, and policies" was organized, which accepted contracts for various kinds of services. In view of the relatively tense supply-demand relations in the agricultural production material sector, localities were required to specify the substance of services in a practical manner, so that we could prevent slackness in areas where things could be done, and on the other hand avoid blind ambition in areas where things could not be done. We have strengthened inspection and supervision of the fulfillment of contracts, to ensure a healthy development of the two-way contracted responsibility system. In the meantime, we have summed up in a timely manner some local experiences in building a service system, such as extending the two-way system practiced in planting sectors to sectors such as animal husbandry, fruit planting, and township enterprises, thus expanding the scope of the two-way system. The extension has achieved relatively good results. Now, across the province, 15 cities and prefectures and 36 counties (regions) have, to varying degrees, extended the two-way contract system. 2) We have continued to concentrate on the pilot reform scheme, which attempted to streamline the production-supply-sales systems, and to achieve an optimum scale of operation in animal husbandry. In the first half of the year, the pilot scheme for streamlining the production-supply-sales systems was launched in 40 counties, where 49 integrated animal husbandry production systems, all interconnected like a "dragon," with each of them having its own characteristics, have been formed. This reform measure has played an outstanding role in overcoming the disjointedness between supply and sales in animal husbandry; coordinating the interests of various factions; providing services before, during and after production; and enabling animal husbandry to move in the direction of socialization, commodity and modernization. This reform measure has effectively promoted a suitable scale of development in animal husbandry. At present there are 55,000 large animal husbandry households throughout the province. Also, the pilot scheme to streamline production and commercial links in agricultural, forestry, and fishery sectors has made certain progress. 3) A law aimed at correcting the weak state of agricultural contracted responsibility system in our province and based on research and studies, the "Provisional Methods for the Agricultural Contracted Responsibility System in Henan Province," has been promulgated and is ready for implementation.

C. Grasping key production links and striving for bumper harvests in grain and oil. The provincial party committee and government attached great importance to this summer's grain and oil production, giving top priority to

striving for agricultural bumper harvests and increasing grain and oil production, which the party and government can use as a means to curb price increases, stabilize the overall situation, make possible a good performance in economic improvement and rectification, and deepen reform. All party committees and governments at various levels have adopted certain measures to increase summer grain production. At key production links, leading comrades at various levels to personally plan everything, dividing up the work into several parts, charging members of the leading groups with one of the parts, and sending them to grass-roots areas. The aim is to help the peasants solve practical problems encountered in production. Although the climate this year was relatively good for summer grain production, two droughts immediately followed the wheat seeding and the early phases of agricultural milking. As a result, relatively large areas were afflicted with plant diseases. The provincial government quickly mobilized the whole province and launched a fight against the droughts; undertook the treatment and prevention of plant diseases; and allocated materials and special funds, such as diesel oil, pesticides, and supplies of electric power to the stricken areas. To protect against drought, 20.85 million mu of wheat throughout the entire province were irrigated, and 46.56 million plants were cured of plant disease. The two measures reduced some of the losses caused by natural disasters. To arrange well for autumn grain production, the provincial autumn grain work conference was called as early as March, with many meetings for detailed plans following the conference. During these meetings, the masses were mobilized to launch the operation of wheat planting in rotation so that there would be early planting for late autumn wheat. Figures show that 33.70 million mu underwent wheat planting in rotation, up 7 million mu compared with last year. Of these 33.70 million mu, 18 million mu were planted with maize, which represented an increase of 1 million mu over last year. This year's wheat planting in rotation has been the largest in recent years.

D. Vigorously advancing agricultural technology and actively experimenting to strive for high yields. Relying on technical progress is the only way out for agricultural production. To solve this problem gradually, in the first half of the year we concentrated on four points: 1) We selected four advanced agricultural techniques and applied and extended them, step by step, and item by item, to agricultural production. 2) We practiced in a serious manner the "double decontrol of science and technology" policy and organized scientific and technological personnel to extend technical contracts. At present there are 120,100 technical personnel engaged in various kinds of technical contracts, involving close to 50 million mu in agricultural foodstuffs. 3) We have launched technical training in various forms to tap talents in rural areas. In the first half of the year, over 500 technical cadres above the county level, 430,000 peasant technicians, and over 4 million farmers in the province received training. 4) In coordination with the extension of new technology, we have vigorously

launched the development of high-yield production centering on foodstuffs. The province has set up a leading unit and formulated programs for the development of high-yield production centering on foodstuffs. Many cities, prefectures, and counties have organized contract groups to cater to the development of high-yield production. According to statistics, in summer and autumn the program of the development of high-yield production was applied to 37 million mu, with 15 million mu in summer grain production completed or exceeding the quotas. Of the nine counties undertaking the summer grain high-yield pilot program, eight saw their average wheat production per mu increase to more than 350 kg.

E. Vigorously grasping agricultural irrigation construction and promoting the extension of farmland. For agricultural irrigation capital construction, we have grasped three main areas: 1) In accordance with the requirements of the irrigation construction plan, we have placed tight control on the use of funds for various levels of irrigation construction. Inputs of funds, aggregate labor quantities, and the amount of construction completed in various localities have all increased at various degrees compared with last year. 2) Some reform measures have been carried out in the construction and management of irrigation. We have set up some regulations, which include responsibility according to official levels, construction divided by levels, and differentiation of levels of management opinions. We have promulgated a work system whereby irrigation construction may reach the required standards and have instituted construction quality supervision and safety standards. All these measures have regularized and standardized irrigation construction. 3) We have expended serious efforts in channeling the Huang He for irrigation and the construction of wells. The near-term key irrigation projects laid down by the provincial government are the widening of areas irrigated by the Huang He and speeding up well drilling to coordinate with Huang He irrigation. In April this year, a provincial meeting for channeling the Huang He was called at which plans for channeling the Huang He were made and the near-term targets determined. At present, key Huang He channeling and supportive well-drilling projects in places such as Zhaokou, Qucun, and Xiangfu are being undertaken at top speed. In the first half of the year, 68,000 mu were developed with Huang He irrigation projects, such as the drilling of 24,500 supportive motor-pumped wells.

The development of the plains areas bounded by the Huang He, Huai He, and Hai He have continued to take as the focus the improvement of low- and intermediate-yield farmland, with a view to speeding up the development of agricultural irrigation. By the end of June, 1,855,000 mu of low- and intermediate-yield farmland had been transformed, with 32,500 mu of wasteland brought under cultivation, and 1,040,000 mu of forest belt surrounding agricultural fields planted and improved—more than fulfilling the planned target. The development of dryland agriculture in mountainous regions, which are not blessed with conditions for irrigation, has continued vigorously. In the first half of the

year, the comprehensive treatment of rivulet regions covered 1,423.5 sq km, and we have formed 174,000 mu of level terraced fields. These two represent respectively 94.9 and 108.8 percent of the annual task. These two newly extended areas saw an obvious increase in summer grain production, with production in many counties breaking all past records.

F. Sparing no effort in doing a good job in township enterprises and animal husbandry in an attempt to promote all-round development of the rural economy. In township enterprise development, this year we have seriously implemented the guiding thought of "four changes" put forward by the provincial party committee and provincial government. With a view to improving the overall situation, we vigorously conducted adjustments in production sectors and product mix, curtailed capital construction, protected short-term projects, eliminated bad and preserved good production items, and took a firm grasp of the raw materials and processing industries for agriculture and sideline products. Meanwhile, through strengthening enterprise management, we have promoted technological progress and tapped the potentials of enterprises, with the result that township enterprises have achieved basically stable production, with prospects for better quality and improvement in the future. Township enterprise management departments at various levels have continued to grasp the rectification of township industries and have reversed the tendency of valuing development at the expense of the improvement of standards, attaching importance to output value to the detriment of quality, and preferring speed to economic returns. The quality of enterprises has improved to a certain degree.

Animal husbandry constitutes an important part of the national economy. To develop animal husbandry as quickly as possible into one of the rural economic pillars, governments at various levels have all listed animal husbandry as target management. They have focused their efforts on raising good breed animals, using mixed grain fodder, extending the ammoniated superphosphate technique, popularizing advanced feeding methods, and applying immunity technology. All this has effectively developed animal, especially live hogs, and poultry production. Despite the increasing price of grain fodder, the sales of live hogs and those on hand throughout the whole province were better than last year.

G. Making further efforts to grasp afforestation projects. According to the forestry policy of "improving the plains and concentrating on the mountainous regions," the first half year's work highlighted the efforts of afforesting barren mountains and 35 counties whose plains were substandard. Meanwhile, we have further strengthened the control of the "three plagues" (the wanton chopping down of forests, forest fires, and plant disease). Over 4,400 tung trees underwent treatment for and prevention of moths, which represented 89 percent of the annual treatment target. The number of forest fires and burned areas dropped sharply compared with the same period

last year. Over 1,000 cases of felling trees were investigated and handled. The production of forest industries has taken a turn for the better.

Although since the beginning of this year agriculture has taken a turn for the better, what with summer bumper harvests of grain and oil, we must realize that there are still many negative factors affecting and curbing provincial agricultural development. Prices for major agricultural products tend to be low, which has dampened peasants' production incentive. Insufficient capital input has retarded improvement in production conditions. The small amount of funds for agricultural technical research have slowed down the pace of scientific research and popularization of techniques, which consequently lags behind agricultural development. Industries ancillary to and supportive of agriculture remain weak. The gap between supply and demand in primary agricultural production materials remains large, with prices stuck at a high level. Farmland has been drastically reduced, with the environment deteriorating at an ever-increasing pace. There have also been shortages in the water supply, while the serious waste of water continues. The ecological balance has been disrupted. Two-tier management, in which centralization and decentralization are combined, remains to be improved, as does the service system. Some of the public infrastructures have not been given full play. All this has revealed a weak agricultural foundation, which basically remains an "agriculture wholly dependent on the weather." It will take long-term, arduous efforts on our part to change this situation.

To fulfill in a comprehensive manner the various targets of this year's rural economic work, we must continue to seriously implement the spirit of the 4th Plenary Session of the 13th Central Committee, adhere to the four cardinal principles, uphold reform and opening up, and support the new leading group of the CPC central authorities by the practical actions of reaping agricultural bumper harvests all year round and stabilizing the overall situation in our province. Regarding specific work targets, in the second half of the year we plan to grasp the following items: 1) In a practical manner strengthen field management for autumn crops and spare no effort in trying to achieve autumn bumper harvests. 2) Seriously grasp flood prevention work so that we can have a safe high-water season. 3) Make timely preparations for autumn seeding, plant enough wheat, and plant it well. 4) Further grasp forestry, township enterprises, and animal husbandry production in order that peasants' incomes may rise. 5) Continue work to improve the internal and external conditions for agriculture to enable a stable and sustained development.

Hubei Aquatic Products Output

*OW2409210689 Beijing XINHUA in English
1608 GMT 24 Sep 89*

[Text] Hubei Province is expected to get 650,000 tons of aquatic products this year, a net increase of 30,000 tons over last year.

In the first seven months of this year, the volume of aquatic products transactions in the province totalled 109,400 tons, an increase of 0.33 percent over the same period last year.

Hunan Grain Storage

*40060740e Changsha HUNAN RIBAO in Chinese
12 Aug 89 p 1*

[Summary] As of 10 August, Hunan Province had put 2.52 billion kilograms of grain in storage, an increase of 770 million kilograms over the same period in 1988, and fulfilled 72 percent of the annual task.

Science, Technology Aid Jiangsu Agriculture

*OW2109191289 Beijing XINHUA in English
1325 GMT 21 Sep 89*

[Text] Nanjing, September 21 (XINHUA)—More than 1,000 research achievements in agricultural sciences have been applied to farming and sideline production in east China's Jiangsu Province since 1980, according to the provincial authorities.

Last year's 50 prize-winning achievements alone added 8.649 billion yuan to agricultural output value.

Jiangsu Province, which produces eight percent of the country's grain and edible oil with four percent of the country's farmland, has made considerable progress in its agricultural production since adopting new techniques and popularizing improved varieties.

In 1988, more than 950,000 hectares, about 60 percent of the province's paddy fields, were planted with hybrid rice for autumn cropping. Average per hectare rice yield reached 6.96 tons, the highest in the country.

According to the agricultural department of the province, a six-year high-yield experiment has increased per hectare wheat yield by 9.6 percent to 4.57 tons.

Aquatic production has also developed in Jiangsu Province. It is now the largest supplier of freshwater fish in the country after its popularization of pond breeding and intensive breeding in fenced waters.

Ningxia Grain Output, Area

*40060740d Yinchuan NINGXIA RIBAO in Chinese
4 Sep 89 p 1*

[Summary] Gross output of summer grain in Ningxia totaled 769,500 tons, an increase of 78,600 tons, or 11.4 percent over 1988. The summer grain area was 5,424,000 mu, an increase of 193,000 mu, or 3.7 percent over 1988; the average per mu yield of summer grain was 142 kilograms, an increase of 10 kilograms, or 7.6 percent over 1988. Gross output of wheat totaled 704,500 tons, a 9.84 percent increase over 1988.

Shandong Water Problems, Solutions Outlined

*SK1909050089 Jinan Shandong Provincial Service
in Mandarin 2300 GMT 18 Sep 89*

[Text] At the provincial water conservancy work conference held in Jinan on 18 September, Zhao Zhihao, governor of the province, called on all people of the province to immediately go into action and fight in the general and protracted war to combat the drought and develop water sources. Comrade Zhao Zhihao pointed out our province has had little rainfall for the last 14 years in succession. This year, the province had the worst drought in history. Now, the province's surface water has suddenly been reduced. More than 9,000 pumping stations and over 100,000 motor-pumped wells have gone dry. Some 70 million mu of crops have been damaged. The production of autumn grain is expected to be reduced by more than 2 billion kg. More than 300 industrial enterprises at or above the county level throughout the province have been forced to stop or suspend production due to strains on the water supply and to save electricity for drought-combat use. The severe drought and the shortage of water have affected the current economic and social development.

In face of such a severe situation, Comrade Zhao Zhihao called on people from the higher levels downward, people in both urban and rural areas, and in all trades and professions to immediately go into action to fight the general and protracted war to combat the drought and develop water sources; to strive to alleviate the province's shortage of water sources in 3 to 5 years or more; and strive to create favorable conditions for ensuring a sustained and steady development of the national economy and a better life for urban and rural people.

Comrade Zhao Zhihao stressed that in the big war to combat the drought and develop water conservancy projects, we should define principles of developing water conservancy projects; persist in the principles of giving consideration to short- and long-term interests; pay equal attention to expanding water resources and economizing on the use of water; develop water conservancy projects and sewage treatment projects simultaneously, and at the same time employ methods to tap existing potential and economize on use of water; pay attention to both storing water and diverting river water; simultaneously employ the methods of economizing on use of water and substituting sea water for surface water;

develop large, medium, and small water conservancy projects; and pool the efforts of the province, cities, counties, and countryside to combat the drought. We should make the most of Huang He water, positively retain surface water, reasonably develop underground water sources, and vigorously popularize the principle of economizing on use of water. Coastal areas should attend to substituting sea water for surface water.

Comrade Zhao Zhihao pointed out: At present, we should concentrate efforts on work to combat the drought and develop water sources in the coming winter and spring, further carry forward the spirit of self-reliance and arduous struggle, and increase the input in development of water conservancy projects.

The province decided: From this year, the labor forces' per capita voluntary labor service for water conservancy construction should increase from 15 to 20 days to 30 to 50 days per year. Meanwhile, the party committees and the governments at various levels should further strengthen leadership over the work of combating the drought and developing water sources, ensure success in the construction of water conservancy projects in the coming winter and spring and in the coming few years, and provide forceful water sources for the province's economic and social development.

More Xinjiang Land Upgraded

*OW0209084189 Beijing XINHUA in English
0805 GMT 2 Sep 89*

[Text] Beijing, September 2 (XINHUA)—More than 26,000 hectares of wasteland were developed for growing cotton and grain in the Xinjiang Uygur Autonomous Region during the first six months this year, fulfilling two thirds of the target set for the whole year.

Xinjiang, one of the main cotton and sugar producers in China, is benefiting from favorable central government policies. The State Council has allocated 90 million yuan (about \$24 million) to Xinjiang each year, 30 million yuan of that is in the form of loans. The region is also authorized to directly use foreign funds to develop water and land projects. Newly developed land is exempt from taxation for the first three to five years.

These policies have stimulated the enthusiasm of farmers. Last year, 112,000 hectares of wasteland and 78,000 hectares of low-yield land were developed.

EAST REGION

Anhui Continues Anticrime Crackdown

*OW 2009091889 Hefei ANHUI RIBAO in Chinese
7 Aug 89 p 1*

[By reporter Li Pei 2621 1014]

[Excerpts] Procuratorates at all levels in the province scored big in cracking down on economic offenders in the antigraft and antibribery campaign by applying legal weapons and relying on leads provided by the masses. From January to June of this year, they accepted, all together, 1,649 cases of graft, bribery, and embezzlement, of which they filed and investigated 724 cases and turned out 142 major economic crime cases. They helped the state and collectives retrieve more than 6.8 million yuan in economic losses. Of the 526 economic offenders either under trial or exempted from prosecution, 240, or 45.6 percent, were state personnel, of which nine were county-level cadres and one was a prefecture-level cadre.

Since the beginning of this year, procuratorates at all levels in the province have given top priority to the antigraft and antibribery campaign and have broken a number of major cases of graft and bribery. [passage omitted]. By so doing, they were able to play an active role in advancing the drive to improve the economic environment and rectify the economic order and in helping fight corruption in party and government agencies.

The recent provincial meeting of heads of procuratorates stressed that procuratorates at all levels must carry on the antigraft and antibribery campaign and resolutely crack down on corruption. They must make all-out efforts and adopt effective measures to investigate major cases and crack a number of them in the near future. Heads of procuratorates at all levels must personally take part in the investigation. They must stand firm on their principles, dare to challenge obstruction and interference, resolutely enforce the law, and carry through their investigation no matter who the people under investigation are, how high their positions may be, or how senior they are.

Zhejiang Governor Reports on Anticorruption Campaign

*OW 2209044789 Hangzhou Zhejiang Provincial Service
in Mandarin 0900 GMT 16 Sep 89*

[Text] The Zhejiang Provincial CPC Committee and government held a meeting of responsible persons of provincial organs this afternoon. The meeting was held to make arrangements for publicizing and implementing the guidelines of the circulars issued by the Supreme People's Court, the Supreme People's Procuratorate, and the Ministry of Supervision. Chen Fawen, member of the Standing Committee of the provincial party committee and secretary of the provincial Discipline Inspection

Commission, presided over the meeting. Shen Zulun, deputy secretary of the provincial party committee and governor of Zhejiang Province, delivered a speech at the meeting.

Shen Zulun said that, since the circulars issued by the Supreme People's Court, the Supreme People's Procuratorate, and the Ministry of Supervision were published, 299 embezzlers in this province have surrendered and confessed their crimes to procuratorial and supervisory departments, and returned stolen money amounting to 1.07 million yuan to the government. Generally speaking, the anticorruption struggle is going well. However, this is only the beginning. There are still many localities and organizations that have not yet taken action. In particular, the leaders of some organizations directly under the provincial authorities are not paying sufficient attention to the task, nor are they seriously publicizing and implementing the circulars and building momentum. As a result, some people who have embezzled public funds, taken bribes, or violated law and discipline are still assuming a wait-and-see attitude and taking a chance. Some of them are stubbornly resisting investigations, acting in collusion to make each other's confessions tally, and destroying evidence. Others are continuing wrongdoing.

In view of the situation, Shen Zulun called on all provincial organizations to further mobilize, and urged their leaders to attach importance to the task and assign someone to be in charge. He said that all organizations should make great efforts to launch a propaganda offensive, publicize relevant policies, and organize the cadres, staff members, and workers to study and discuss the circulars. They should first investigate the law and discipline violation cases involving their personnel, and then turn the cases over to procuratorial and supervisory departments. Any criminals who fail to surrender to the authorities before the deadline should be detected and given harsher punishment. Those who voluntarily surrender to the authorities and confess their crimes should be given lighter punishment in accordance with the guidelines of the circulars.

Comrade Chen Fawen also spoke at the meeting.

NORTHEAST REGION

Liaoning Reports Progress in Education Reform

*SK1209115389 Shenyang Liaoning Provincial Service
in Mandarin 0930 GMT 7 Sep 89*

[Text] Since the 3d Plenary Session of the 11th CPC Central Committee, Liaoning has achieved great development in its educational undertakings, scored initial achievements in conducting reform in education, and made steady improvement in educational quality. In 1985, 100 counties and districts across the province fulfilled the specific task of making elementary education universal in line with the national standard and the provincial plan in this regard. Since 1988 the province

has begun to enforce 9-year compulsory education step by step, in line with the state education law and plan. Since 1983 the province has generally enforced the new system in its rural education with regard to having only three levels open schools and having every level manage its own schools, thus bringing into play the enthusiasm of governments at all levels and the people in operating schools. Reforms in the leading systems of middle and primary schools and in the systems of education and teaching activities have been steadily deepened, the quality of education has been increasingly upgraded, and elementary education has been further enhanced.

In secondary vocational and technical education, Liaoning has also made great achievements and opened a number of new style secondary vocational and technical schools. The proportion of students in various secondary vocational and technical schools in the total number of students in the province's senior middle schools has increased from 2 percent in 1979 to 54.8 percent at present. Meanwhile, by persistently proceeding from the reality and making overall arrangements, the province has readjusted the allocation and specialized courses of schools, simultaneously conducted reforms in the cadre system and the personnel affairs of laborers, and trained a large number of medium- and elementary-rank technical and managerial personnel available for industrial and mining enterprises as well as a large number of peasants with specialized technologies.

In general higher education, Liaoning has achieved rapid development. During the Sixth 5-Year Plan period, it established 24 new higher educational institutions and the number of college students has shown a 21-percent increase and that of graduate school students has shown a sixfold increase. The province has also readjusted the structure of specialized courses; deeply conducted reform in the systems of education, teaching activities, student enrollment, and job arrangement; and enlarged the function of education in serving the economy and social development. The scientific research work of higher educational institutions is being oriented to the major battlefield of serving economic construction and has played an important role in building both socialist material and spiritual civilizations.

Since conducting reforms, Liaoning has made rapid progress in adult education, actively pushed forward reform in adult education with the central task of carrying out on-the-job training, vigorously conducted education in specialized courses with the issuance of graduation certificates, opened 429 specialized courses, and conducted the pilot work of training in more than 400 enterprises. The number of personnel who have attended on-the-job training classes in the standardized courses has reached 630,000 and that of personnel who have attended training classes in cultural knowledge and various technologies has reached more than 4 million, thus upgrading the cultural and technical quality of the broad masses of staff members, workers, and peasants.

Liaoning's investment in education has somewhat shown an increase and the province has further improved the conditions of operating schools. Through making unremitting efforts over the past 10 years, the proportion of dangerous school buildings or houses has decreased from 20.1 percent in 1979 to 2.6 percent at present. Laboratories, libraries, reading rooms, special classrooms, teaching instruments and equipment, and books and materials in various schools at various levels have been improved or reinforced. Meanwhile, the province has gradually established a teacher contingent that is relatively stable and with higher ideological quality and stronger professional capability and has basically fostered a relatively perfect teacher training system at the levels of province, city, county, and township. The cultural and professional standards of the broad masses of teachers have been upgraded on a large scale. Since 1978, the province has selected 424 teachers of special classification from middle and primary schools and kindergartens throughout the province. In 1988, Liaoning basically accomplished the work of conducting reform in teachers' titles.

Shenyang Deals With Corruption

40050625 Beijing LIAOWANG [OUTLOOK] in Chinese
No 25-26, 26 Jun 89 pp 11-13

[Article by Liu Xinxin 0491 2946 2946 and Meng Huan 1322 0822: "Shenyang's Fight Against Corruption"]

[Text] With the establishment of Shenyang's control bureau in January of last year, leaders of the municipal party committee and the municipal government began to wage a campaign against corruption. The people got their hopes up, but were largely disappointed.

A Difficult, Complex Battle

At the end of March of this year, the question of cadres of the municipal party committee and the city government organs engaging in business and running enterprises was basically cleared up. However, many people were disappointed with the announced results. At first, people had expected to see several major cases of "official corruption" uncovered, but in fact none were found; investigations into the four companies run by officials who public opinion felt were the most corrupt uncovered only 137,000 yuan in illegal business profits; citywide, only 21 people were found to be receiving unreasonably high compensation for their work in concurrent positions, and 10,771 yuan was confiscated and returned to the proper hands. The people are not convinced that the problem only goes this far and some suspect that we may be seeing an instance of "officials protecting each other."

Municipal control bureaus have long been known for their integrity. This particular round of investigations lasted 8 months and was done in a strict and vigorous fashion.

The bureau of taxation, considered to be the organization with the most severe problems of power being used

for extortion, was investigated last year and only 14 people were punished for corruption and accepting bribes. This was less than 4 percent of the more than 4,000 workers in the bureau. Based on this proportion, we can say that the bureau of taxation is filled with honest employees. Zhang Pu [1728 2613], the 56-year-old head of the control office of the bureau of taxation, says quite candidly that: "I'll admit that those persons we uncovered were only a small fraction of the problem, the tip of the iceberg if you will. However, we earnestly investigated every person whom the public reported and gave us concrete clues about, and moreover, once uncovered, the violators were punished quite severely. Last year, an employee of the bureau of taxation was given a year and a half in prison for taking 2,000 yuan and 9 cents in graft money. Also last year, there were seven employees that were either fired or were put on suspension for a year plus the prison time. This is unprecedented in our bureau."

The situation in other government departments, such as industry and commerce, justice, public security, and commodity pricing, are roughly similar. Each department has taken numerous measures to battle and uncover cases of official power being used for extortion, bribe giving, bribe taking, and other corrupt practices. However, why is it that the public still feels that the attempts to uncover and punish corruption have been only halfhearted?

Granted, the government has not done all that it could. However, the difficulty and complexity of the battle against corruption is something that the people did not anticipate.

First of all, cases are hard to discover. There may be smoke everywhere, but one has a hard time finding the actual fire. Right now, everywhere you go you hear rumors about gift-giving, bribery, and other corrupt practices, but when you look for actual cases, they seem to disappear without a trace. Wang Songtao [3769 2646 3447], head of the political department of the municipal public security bureau, says that, "you hear serious rumors about transportation workers, registrars, and people's police extorting money and gifts. However, last year, our department, which has nearly 10,000 employees, received only five complaints involving over 500 yuan. If the people don't file complaints and provide us with leads, how are we to uncover corruption?"

Second, it is difficult to collect evidence. It is now common for those giving gifts or bribes to do so underground in one-on-one situations, and even if a complaint is lodged, it is difficult to substantiate. Often, persons who have been blackmailed will suffer the small loss in order to get the greater benefit, and they are not willing to report the case. The municipal bureau of taxation investigated a case where a worker in the bureau was using public enterprise money to fund a trip. What he didn't expect was that both the branch secretary of the enterprise and the factory manager would sign false

statements disclaiming the incident. It is extremely difficult to discover and substantiate cases.

In August of last year, the Shenyang municipal party committee organized 11 departments to conduct a public opinion poll on a scale never seen before. Their first step was to comprehensively put in order the sociopolitical environment. The investigators talked directly with over 1,100 people and then distributed 50,000 questionnaires. At the end of last year, 47,086 of the questionnaires had been returned and, in response to the question "What do you feel is currently the most pressing problem we should resolve?," 31 percent of the people said "corruption." This was much higher than the percentage of people (17 percent) who felt that wages were the most pressing problem.

Granted, some instances of corruption may be blown out of proportion as they pass through the rumor mill. However, the secretary of the municipal party committee and the mayor both know that there is indeed a lot of corruption going on, including free entertainment and gift giving, bribe taking and bribe giving, huge banquets, and squandering of funds. According to the individual businesses that participated in the poll, corrupt industrial, commercial, or taxation bureau personnel can demand up to 10,000 yuan in extortion money each year. And it is also true that honest tax bureau personnel refuse up to 10,000 yuan in bribes each year. There are also those in the public security, examination, and judicial departments who demand extortion money, and if you pay up they will let you off easy. Even crematoriums and mortuaries are engaged in the corrupt practice of giving preferential treatment to the highest bidder...

Some people refer to the corruption as a "fire that can't be put out." Although this sounds pessimistic, it is not entirely unreasonable. We can never solve the problem unless we get to the fire before it starts. The best approach is to eradicate corruption by focusing on the very soil wherein corruption grows.

Causes of Corruption

In the same way that a doctor treats an illness, we must first diagnose the cause of the illness, and only then can we prescribe the proper cure. As we look into the social causes of corruption, we will find that there is no single cause that we can point to. There are, instead, both political and economic causes, as well as systemic, ideological, and legal causes.

Cause #1: Corruption abruptly rises during periods in which there is a quick shift from a product economy to a commodity economy. Looking at the experiences of many nations of the world, we see that as their commodity economies underwent periods of rapid development, they also experienced periods where corruption seriously multiplied. This is where we are today. With the launching of the commodity economy and the relaxation of the old system, numerous kinds of economic elements begin to arise, economic dealings grow more

diversified, income sources become more numerous, and society and the economy show unprecedented vitality... However, society's "immune" system has not had a chance to develop to the same extent. With the abrupt rise in the private, individual economy, many people resort to giving and receiving bribes as a way to reap staggering profits, all without considering the means.

Shenyang was rocked when it learned of the huge bribery case involving Yang Renlong [2799 0086 7893] and Yang Renjie [2799 0086 2638], private managers of the Dongfang Cooperative Diner. They had managed to bribe over 30 party and government cadres, 19 of whom were bureau or office-level cadres, with bribes totaling 160,000 yuan.

Some elements involved in bribery state quite openly that, "You have to use communist party money to buy communist party power, and you have to use communist party power to earn communist party money."

Cause #2: Inequitable distributions lead to psychological imbalances. Some of those who use their power to engage in extortion feel that their demands are "reasonable." In the Tiexi District of Shenyang, a member of the people's police arranged registration for one individual business. The cost was 3,000 yuan. In justification of his act, he said, "I wouldn't have the heart to do this to Joe Citizen, but this was a private businessman earning tens of thousands of yuan each year. I work from dawn till dusk everyday, too, yet I earn only 180 yuan a month. Is this fair? That's why I felt it was OK to take a little from this guy." Some members of the people's police say that they have a hard time buying a carton of cigarettes. So, when they see a guy making money hand over fist by renting out his car, they get angry and feel justified in squeezing a little out of him.

Cause #3: The laws are imperfect, and because they are so impractical, anyone who wants to can use his power for extortion.

Beer is one commodity that the state sets the price on, and no one can sell beer at other than the set price. However, nearly all the private restaurants in Shenyang sell beer at negotiated prices because the beer purchasing price for individual businesses is one or two cents higher than the selling price fixed by the state. If you sell at the fixed price, you lose money. With the situation like this, a commodity price inspector can go into almost any private restaurant and legally impose a fine. Anyone they want to fine, they can fine. Some complain that people are not penalized based on violations of the law, but rather, because they happen to be unlucky. The laws cannot be applied fairly.

Also, entertaining and gift-giving is legal for enterprises, but not for government organs. Thus, the people are at a loss as to what to do.

Cause #4: "Secure jobs" lead to corruption. The most effective and common way to punish a civil servant is to fire him. However, the practice of creating "secure jobs"

makes this method of punishment unfeasible. One branch chief of the public security bureau complained that, in the past, when people's policemen violated discipline, they could be transferred to an enterprise. But now no enterprise will take them and there is no way to get rid of them, so you have to "assimilate them within." These types are not suited to doing work out in public so they are allowed to do work inside the office. Right now, he's got two people doing sweeping chores. However, he says that he can't just hand a broom to every one of the ten-plus people who have violated discipline. Some people have gotten downright reckless in their corrupt dealings, knowing they can't be fired.

Cause #5: Corruption has flourished under the dual-track pricing system. Many people who have power over commodities can easily make money by taking advantage of price differentials. 39-year-old Wang Yuhuan [3769 3768 3883] is a supply allocator for the non-ferrous metal section of the northeast grade one station of the China Metal Corporation. She took advantage of her job to illegally cut back the allocation quotas of the state's cathode copper, thus enabling her younger sister, Wang Yuzhen [3769 3768 3791], who runs an enterprise that contracts with the state, to sell off 30 tons of cathode copper and make 235,000 yuan, which she later distributed privately.

Cause #6: "Money is at the root of everything," and this sows the seeds of corruption. The lure of money will topple the spiritual foundations of some people, and the goal of life then becomes the chase for money. The recent questionnaire distributed in Shenyang shows that 58.9 percent of the people feel that people are now more interested in making money than anything else.

All of these causes are interrelated and affect one another, they are growing to an unprecedented extent, and they touch on every area at every level.

Workers of the state are now facing a test like they have never seen before.

Unremitting Efforts

Undeniably, there are now more corrupt cadres in the party and in government than ever before. However, most cadres remain honest. At a time when people are accusing government officials of corruption, one can say that many of the cadres in the municipal government are the "poor men" of today. One 30-odd-year-old office chief still has to think about his budget when buying 1 yuan worth of vegetables at lunch. A secretary for the municipal party committee secretary goes to meetings wearing a pair of old-fashioned shoes that are in tatters from years of wear. A 35-year-old office chief in the provincial party committee wanted to buy an electric refrigerator but he didn't have enough money so he had to let his parents "help out."

Most high-ranking cadres are similarly situated. Secretary Wang Changxing [3769 7022 5281] of the city government legal commission is an assistant municipal

level cadre. During the Chinese New Year this year, a nephew who works in Heilongjiang came down to visit him. During the course of conversation, the nephew asked him how much he makes each month. Wang Changxing replied, "less than 200 yuan." His nephew stared at him in disbelief, "you're such a high official, and yet you earn so little. I make over 300 a month as a section chief."

Knowing this increases our confidence in the war against corruption. Out of 47,000 questionnaires, 64.2 percent of the people indicated that they placed their hopes for combatting corruption on the shoulders of the party and the government.

The large-scale public opinion poll allowed the Shenyang municipal party committee and the Shenyang municipal government to not only clean up 17 departments that the masses indicated were the most corrupt, but also to locate specific positions where corruption breeds easily, and thus fix 81 key links where an anticorruption guard will be maintained, including changes in the housing system, housing allocation, and the handling of housing disputes; changes in the financial system include loans, setting up the system, loan examination and approval, and cash withdrawals; changes in the judicial system include evaluations, case reconsiderations, case dispositions, sentence downgrading, sentencing time reductions, medical care not covered by insurance, and so forth.

In "taking the pulse and making a diagnosis," the municipal party committee and the municipal government have unveiled a succession of prescriptions and measures to rectify corruption.

First, they are beginning at the top. Chief Judge Fu Zhonghe [0265 1813 0735] of the Shenyang municipal court took advantage of an opportunity to fix up his home by using public funds to buy himself furniture, appropriating over 3,000 yuan of public monies. This assistant municipal-level cadre used his post to borrow money that he urgently needed. At the same time, a group of bureau-level cadres were publicly dealt with.

Second, control organizations have been established everywhere from the municipal, county, and district levels to the street level. Most government departments have also set up control offices or control desks. The city and counties have also set up reporting centers or reporting stations. Currently, control organizations throughout the city have formed control networks for administrative supervision with many levels and channels.

Due to the need to vitalize the economy, Shenyang has seen a more than 100-percent increase in such workers as bureau of taxation personnel, industrial and commercial administrators, commodity price personnel, people's police, and so forth. Of these newly added personnel, some are less than fully qualified. Some have even misappropriated tax funds or management fees after being on the job for less than a week. Consequently, the

construction of an honest government requires that government officials work toward this end. Beginning this year, the work of individual tax collection in the city will be divided among assessors, administrators, and inspectors. No longer will they operate as they did in the past, with all three functions being carried out by one special taxman. Also, administration fees for industry and commerce as well as many other links will be brought under similar controls.

Clean and honest government requires that government functions be carried out in the open. Affairs are now being handled in an open fashion. Currently, the municipal government has 62 unified departments that maintain frequent contact with enterprises and the people to make sure that those who yield power don't get involved in shady dealings. Last year, after local police stations in Shenyang began handling registrations out in the open, complaints were cut in half.

Honest government means a move toward rule by law. The municipal government reviewed 366 legal documents so as to close off any "loopholes" in policy. Some documents were repealed, some were augmented, and some were revised. There are now new regulations governing such things as cadre hiring, job title evaluation, foreign dealings, construction market administration, and changes in allocations.

An honest government system that is suited to the commodity economy is something that must be worked on bit by bit from step one. The work will be detailed, voluminous, and difficult. For example, many people were reaping unfair profits in the course of industrial and commercial licensing. To guard against this, the bureau of industry and commerce now requires that all businesses that need a license to operate must send their principal officer down to carry out the licensing procedures. One's retail sales can be affected by over 1,000 percent, depending on where one locates his stand in the marketplace. Consequently, many people offer bribes to officials in charge of allocating market spaces. This way they can get excellent sites for their stands. Now Shenyang's market site allocation system is based on a bidding system. Individual businesses are satisfied, state revenues are higher, and corrupt practices are put to a halt.

The Shenyang municipal party committee and the municipal government feel that these measures will serve to reduce corruption. However, they are not a panacea and will not produce miracles. There is no reason to be pessimistic, but it would be foolish to expect victory in the short run. We are going to need continued unremitting efforts.

Everyone Must Get Involved

The battle against corruption is not just the responsibility of the government. The battle cannot succeed unless we have wide citizen involvement. The Shenyang reporting center has received over 1,400 citizen reports

since its inception in September of last year. Approximately 60 percent of the cases disposed of by such departments as industry and commerce, the bureau of taxation, and public security, arose from citizen whistleblowing.

At 0030 hours [as published] on 4 June of last year, a woman walked into the bureau of industry and commerce's small commodity wholesale market administrative office on Wuai Street in the Shenhe District and reported to the man in charge that an administrator had just accepted a bribe from an individual businessman. The man in charge immediately located the administrator that Ms Yang had reported and checked him out. Sure enough, the report was true. He had accepted a bribe of 1,800 yuan from the boss of an individual business who was demanding market space for his retail stall. Without Ms Yang's report, this case of bribery would never have been uncovered.

The problem with citizen whistleblowing is that many people are not willing to reveal cases of corruption. For example, certain individual businessmen are full of resentment after having had money extorted from them, but few will lodge a complaint. According to the statistics from a municipal party committee questionnaire, 54 percent of the respondents indicated that, as for corruption, "it is useless to report it, and I'm not going to blow the whistle"; and four percent indicated that they "are afraid and don't dare blow the whistle." If we are to change these attitudes, then above all the government must create an environment of security for whistleblowers, backed up by the law. At the same time, every citizen must become more aware of his civic duty.

The battle against corruption also requires the hard work of every unit, and we must create an attitude of "not in my neighborhood." One time, a certain enterprise was holding an awards ceremony and cadres from the Huanggu District office of the Bank of Industry and Commerce were invited. Everyone came away with a quartz watch. The chief of the office immediately made them return the watches. Some couldn't figure it out. They asked why they had to give them back when leaders from other departments accepted the watches. The office chief said: "We aren't going to look to others for guidance on what we do here. We'll handle this according to principles. What we do in this office carries significance for society as a whole. Every unit is the external environment for others. Only when the greater external environment acts in concert with the immediate environment can we ever make any progress in wiping out corruption."

Corruption is now like a street rat. Everyone is yelling at it and hitting it. If we keep this up, and move from "yelling and hitting" to having people at all levels "getting involved in beating it," then a society pervaded by honesty and freedom from corruption is not too far behind.

NORTHWEST REGION

Gansu Governor Reports on 'Turmoil,' Provincial Response

40050675 Lanzhou GANSU RIBAO in Chinese
21 Jul 89 p 2

["Report on the Quelling of the Disturbance in Gansu—14 July 1989, by Mu Yongji 4476 3057 0679, Vice Governor of Gansu"]

[Text] Comrade chairman, vice chairmen, and committee members:

The 4th Plenary Session of the 13th CPC Central Committee, which captured the world's attention, was a meeting of tremendous practical meaning and profound historic significance in the history of our party. Today, the province's battle line in all fronts and all industries and businesses is diligently studying Comrade Deng Xiaoping's important speeches and acting in the spirit of that plenary session. We are determined to wage a political struggle to the end to quell the disturbance, do solid work, strive to increase production and reduce spending, and recoup the losses caused by the upheaval as quickly as possible. Under the leadership of the party Central Committee and the State Council, we will follow the plans formulated at the recent enlarged meeting of the second session of the seventh Gansu provincial party committee to unify Gansu's people of all nationalities, and with the leaders and the rank and file working together, we will continue to strive to accomplish all the tasks set out in the Government Task Report, which was ratified at the second session of the seventh provincial People's Congress. Now, on behalf of the provincial people's government, I will present for consideration before the ninth session of the Standing Committee of the seventh provincial People's Congress a report on the turmoil in Gansu, particularly the disturbance in the Lanzhou area, and the province's efforts in quelling the disturbance and the remaining tasks that need to be done.

I. The Turmoil in Gansu

By mid-April of this year, student strikes began to break out in some colleges in Beijing, and it gradually spread to other cities throughout the country and caused social upheaval and eventually developed into a counterrevolutionary rebellion in Beijing. Influenced by events in Beijing, beginning on 19 April, and basically lasting until 8 June, serious political turmoil also broke out in Gansu's Lanzhou area. In addition, there were demonstrations, petitions, and rallies of support in 12 prefectures, autonomous prefectures, and cities throughout Gansu. In terms of ferocity, complexity of the situation, seriousness, and enormity of the damages, the recent disturbance is unprecedented.

On 15 April, a student strike was started in Beijing on the day Comrade Hu Yaobang died. From the very beginning, a handful of antiparty, antisocialist elements had a hand in the events and were manipulating the students, turning the student strike into a politically oriented demonstration that eventually turned into turmoil. On 19 April, the first small-character poster, entitled "A Couplet and Two Poems To Eulogize General Secretary Hu Yaobang," was posted on one of Lanzhou's college campuses. Soon, many large-character posters, small-character posters, slogans, songs, poems, and cartoons—all reactionary in nature—began to appear at Lanzhou University and other college and university campuses and at the public square. In the name of mourning for Comrade Hu Yaobang, people viciously attacked and slandered Deng Xiaoping and the other leading comrades of the central authorities. On the night of 21 April, more than a thousand Lanzhou University students marched in procession, carrying wreaths and funeral drapes. At about 0100, 400 to 500 of the students stormed the provincial government building. Hoisting the banner of "freedom and democracy" they chanted, "Down with dictatorship," "Down with the bureaucrats," and "Down with corrupt officials." A handful even chanted reactionary slogans of "Down with communism" and "Down with socialism." On 26 April, RENMIN RIBAO published an editorial entitled "We Must Take a Clear-Cut Stand Against the Disturbance." Following instructions from Beijing's illegal organizations, organizers of the disturbance changed their tactics and used "Down with official profiteering" and "Punish the corrupt" as slogans to further incite the students and the masses. Thereafter, some college students stepped up activities and linked up with other groups to prepare for "something big" around 4 May. On the night of 29 April, more students stormed the provincial government building. On 3 May, notices were posted on all college campuses announcing a "May 4th" demonstration. On 4 May, more than 3,000 students from six colleges, including Lanzhou University and Northwest Normal University, started a procession at 0800. They later gathered in front of the provincial government building and submitted a "petition." They stormed the provincial government building again and again; a few even threw rocks, shoes, bottles, and other objects at the front door of the government building. At about 1900 that evening, another 3,000 students held a sit-in in front of the government building, demanding that the provincial government leaders respond to demands in the "petition" submitted that morning. Chief among their demands were, one, repudiation of RENMIN RIBAO's April 26 editorial, and two, recognition by the provincial government of the legality of their organization. They stormed the provincial government building repeatedly and lingered until around 0500 the next day. On the afternoon of 4 May, Comrade Zhao Ziyang spoke before a group of delegates from the Asian Development Bank who were in Beijing for an annual meeting. Because he expressed opinions that contradicted completely the spirit of the resolution of the CPC Politburo's Standing Committee and the April 26 editorial, and because some

newspaper played up the whole episode, many cadres and the general public were very confused ideologically, but the organizers and engineers behind the disturbance were encouraged by it. As a result, the situation in Beijing, which had calmed down earlier, suddenly took a dramatic turn for the worse. In the Lanzhou area, the disturbance also escalated and spread quickly. From 5 to 12 May, party and government leaders from the province and the city met and talked with student representatives; meanwhile some of Lanzhou's college students also held large and small demonstrations on five separate occasions.

On the night of 13 May, in an attempt to hold the party and the government hostage, a small group of instigators despicably staged a hunger strike in Tiananmen Square which lasted 7 days and involved more than 3,000 students. At that time, the disturbance in Lanzhou was primarily a show of support for the Beijing students' hunger strike, and the processions and demonstrations were at their height. On 15 May, a handful of Lanzhou's college students set up an illegal "Students Autonomous United Association," which became the organizer of the processions, sit-ins, and hunger strikes. Soon, the "Dare-To-Die Corps" and "Citizen's Support Group" and other illegal organizations also sprang up. On 16 May, 7,000 students from Lanzhou University and five other colleges and universities joined in a procession and rally to support the Beijing students who were on their hunger strike. On 17 May, tens of thousands of college and polytechnic school students went on a procession to voice support for the Beijing students. Among the participants were also some reporters, scientists and researchers, and teachers. Starting that day, almost a hundred Lanzhou students held a sit-in in front of the provincial government building and went on a hunger strike. They later moved to the public square in the city center. On 18 May, processions and demonstrations in support of Beijing's and Lanzhou's students who were on hunger strikes reached a high point. From 0800 on, more than 40,000 students from Lanzhou's 12 institutes of higher education, eight polytechnic schools, and some high schools joined in a procession through some of the city's main streets. Among the demonstrators were more people from the research institutes, news bureaus, educational units, and public agencies than the day before. On 19 May, Lanzhou's more than 40,000 students and a handful of workers, peasants, and citizens continued their procession; among them were even some elementary students. Because the disturbance in Beijing continued to escalate, and fueled by the misguided media, more and more students each day joined the procession to "voice support for [the students in] Beijing." Because, in his speech, Comrade Zhao Ziyang contradicted the central authorities' general policy, it made things very difficult and very confusing for us at the lower level, especially the comrades in the colleges and universities. Many had serious misgivings about what Comrade Zhao Ziyang had done.

On 19 May, the party Central Committee convened a general meeting of Beijing's party, government, and

military cadres. On 20 May, Premier Li Peng signed an order to impose curfew in some parts of Beijing. Thereafter, in the Lanzhou area, the disturbance began to focus on protests against the curfew in Beijing. There were speeches in the streets; students linked up with other groups outside the campuses, held mass sit-ins, and spread rumors. Some students organized "speech troupes" and delivered speeches on the main streets, in front of the large factories and mines and in the welfare projects. They stormed the factories and stirred up the workers and citizens to support their movement. A handful of the students push their way onto trains heading for Beijing. All of a sudden, there was a deluge of "the latest news," "Beijing dispatches," and "Voice of America," and all sorts of rumors were being fabricated to confuse and poison the people's minds. People with ulterior motives printed, copied, and distributed all sorts of leaflets. Illegal elements and society's scum also came out of hiding. Beginning on 20 May, the so called "Lanzhou Citizen's Support Group," with its 300 or so members, went on five separate processions and even went to some college campuses to stir up trouble and instigate continued student strikes and demonstrations. By this time, the processions directed by the various illegal organizations were chanting "Xiaoping, step down," "Li Peng, step down," and "down with the bogus government" and other reactionary slogans.

On 4 June, after Beijing put down the counterrevolutionary rebellion, Lanzhou area's "Universities Students Autonomous United Association" launched a savage counterattack. They occupied the public square and set up an illegal broadcast station to broadcast "Voice of America" and spread counterrevolutionary rumors and instigated a citywide general strike. Society's dregs seized the opportunity and began to surface. The so called "Citizen's Support Group" and "Dare-To-Die Corps" and other illegal organizations went on a rampage. They put up roadblocks at the city's main intersections, paralyzing traffic. At the climax, as many as 10,000 people stormed the Lanzhou railway station. Seven times, they lay on the tracks to stop trains, halting the Lanzhou-Lianyungang train four times, delaying the trains for a total of 68 hours; they stopped 192 passenger and cargo trains dead in their tracks and held up those trains 359 times. Some illegal organizations sent small teams to large factories and mines to stir up the workers to go on strike. For 3 days straight they blocked the entrances and prevented the workers from going to work, closing or semi-halting production in nine large and midsize enterprises. The Lanzhou area suffered huge economic losses, and we cannot begin to figure out other losses incurred. After 9 June, leaders and backbone elements of Lanzhou University's "Universities Students Autonomous United Association" announced publicly that "the viewpoint will not be changed; the organization will not quit although the activities may assume a different form." They instigated another "emptying the schools" movement in Lanzhou's colleges and universities despite the call by the government and the wishes of the majority of the students to go back to school. Of the more than 7,000

students at Lanzhou University, intimidated by leaders of the few illegal organizations, less than a thousand returned to school. A few people even formed a so called "Dog-Beating Command Post" and posted "Declaration of the Formation of the Dog-Beating Command Post" signs on the campuses, vowing to "fight to the bitter end" against the government. During the period of student strikes and disturbances in the Lanzhou area, there were a total of 32 processions, more than 20,000 students participated, and more than 300 college students went on the 4-day hunger strike; a few students participated in the lengthy sit-ins. During the demonstrations, the provincial party committee, the provincial People's Congress, the provincial government, the Lanzhou city party committee, and the city government organs were besieged more than 30 times. Professing to support the Beijing students, the illegal organizations sent more than 2,000 people on separate occasions to join Beijing's disturbance.

While the Lanzhou area was going through a tumultuous period, in 12 other prefectures, autonomous prefectures, and cities, including Tianshui, Jinchang, Qingyang, Wuwei, Zhangye, and Longnan, there were also student processions, petitions, and rallies. On seven occasions, the processions were more than a thousand people strong. In Tianshui City, more than 3,000 students joined the processions and more than 2,000 students went on strike and distributed leaflets and put up reactionary, large-character, and small-character posters. They also formed the "Patriotic Teachers Association," "Students Autonomous Association," and the "May 20 Group" and other illegal organizations.

II. Gansu's Effort To Quell the Disturbance

The political turmoil in Gansu, which centered in the Lanzhou area, was directly related to the disturbances in Beijing and to the counterrevolutionary rebellion. From the very beginning, it had been manipulated by organizers who instigated the trouble in Beijing. Using "mourning" as an excuse, they pointed the spearhead directly at party leaders; embracing bourgeois liberalism, they negated the four basic principles; hoisting the banner of defending the Constitution and the law, they savagely trampled the Constitution, the laws, and the provisions; fabricating and spreading political rumors, they stirred up the masses; under the direction of the illegal organizations in Beijing, they supported by coordinated action the turmoil and the counterrevolutionary rebellion there. With Lanzhou as center, they plotted to cause trouble everywhere in the province. Facts proved that this was a planned, organized, premeditated political disturbance. In essence, it aimed to repudiate the leadership of the CPC and negate the socialist system. Certainly, "it takes more than one cold day for the river to freeze three feet deep"; the disturbance in Gansu which centered in Lanzhou, like everywhere else, was the result of the international macroclimate and China's own microclimate. As Comrade Deng Xiaoping said, "This storm would have arrived sooner or later"; "We could not have changed its course."

This round of disturbances had a complicated political background. The turmoil and rebellion in Beijing was caused by the prolonged, unchecked spread of bourgeois liberalism controlled by reactionary forces both inside and outside of China. The disturbance in Gansu was not an accident or isolated incident. Overall, it was directly linked to the disturbance in Beijing. A handful of the instigators kept in close touch with, coordinated activities from afar with, and could be traced to the same origin as the turmoil and rebellion in Beijing. Among them were a handful of Lanzhou University students who acted as leaders, and they formed the planning organization and command center behind the disturbance in Gansu. Their reactionary slogans, political rumors, steps, and plans were practically identical to those in Beijing. Beijing's "Universities Students Autonomous United Association" often sent people to Gansu and conspired with the local "Universities Students Autonomous United Association" and coordinated their activities. Unidentified out-of-towners, especially enemy forces from Hong Kong and Taiwan, also had their hands in the disturbance here. They distributed counter-revolutionary propaganda materials, provided money for the disturbance, and collected intelligence on the events.

This round of disturbances indeed had its political goals. At first, in order to win over the masses, the organizers and planners used the slogans "punish the official profiteers," "eliminate corruption," and "freedom and democracy" as their foil. But like Xiang Zhuang who performed the sword dance as a cover for his attempt on Liu Bang's Life, these people had an ulterior motive too, and they soon chanted, "until Qingfu is done away with"—until certain figures are ousted—the country will have no peace, and they demanded "traitors, get out of Zhongnanhai." They also put up many large-character and small-character posters, used foul language to slander, attack, and hurl abuse at Comrade Deng Xiaoping, and publicly shouted "down with Deng Xiaoping," "down with the Communist Party," and "down with the bogus government." They pointed the spearhead directly at Comrade Deng Xiaoping, who has contributed so much to our reform and opening up, and at our party and government.

The turmoil in Gansu was intertwined with racial and religious problems that had emerged in Gansu for some unrelated reasons, and this made the situation even more complicated. Incensed by the obscene book *Sexual Practices*, the Moslems went on a demonstration, and after a book-burning on 20 May, a handful of them stormed the provincial government building and went on a rampage. Also, because of the lack of regular education on national unity at the Lanzhou Meteorological School, there had been fights between the Han and the Zhuang students. These racial and religious problems actually had nothing to do with the disturbance, but because they occurred during the turbulent period, they made it even more difficult for us to deal with the situation.

During the disturbance, society's dregs also took advantage of the situation and stirred up more trouble, exacerbating an already turbulent situation. Remnants and scum of the gang of four and other lawless elements brazenly carried out their criminal activities. They were the adventurous henchmen who led the others on several occasions to lie on the railway tracks, set up roadblocks, intercept cars, storm the provincial government building, and attack the military police and soldiers in Lanzhou.

The disturbance turned into a disaster because of the flood of political rumors. They confused many cadres and people who grew sympathetic to the students' extreme behavior. A few leading cadres even led the processions in the streets and publicly turned in their resignations, and a handful of party members renounced their party or league membership in public and parted ways with the party.

The turmoil was the result of the flood of bourgeois liberalism in recent years. Some prominent figures who meddle in bourgeois liberalism wrote articles and delivered speeches advocating the theoretical beliefs and political systems of the bourgeoisie of the West. They had quite an impact on Gansu. In particular, Comrade Zhao Ziyang, as general secretary, failed to uphold the four basic principles, failed to launch a serious struggle against bourgeois liberalism, and failed to concentrate on political ideological work and cultural civilization construction. He abandoned the Marxist ideological front and caused great confusion in media, theoretical, and arts and literary circles. The thinking of many young people was poisoned by the ideological tide of bourgeois liberalism. Anticommunism, antisocialism, and even antipatriotism ideologies were fully exposed during the student strikes and turmoil.

When the turmoil erupted, the provincial party committee and provincial government made it very clear from the very beginning that we were on the party Central Committee's side. We complied with all of the party Central Committee's and the State Council's important plans and general and specific policies, and insisted on dealing with the realistic situation in Gansu. We adopted decisive measures and dealt firmly, positively, and steadily with and quelled the disturbance. The important tasks the province accomplished include:

We held fast to maintaining unity in the leadership core of the provincial party committee. In handling the disturbance, under the unified leadership of the provincial party committee, the principal leading comrades and several veteran comrades of the provincial party committee, the provincial government, the provincial advisory committee, the provincial People's Congress, and the provincial CPPCC [Chinese People's Political Consultative Conference], carefully and calmly ascertained the various problems on many occasions and sobermindedly and accurately determined the province's situation and worked together with one heart and one mind to quell the disturbance and stabilize Gansu's situation.

We carefully separated out the two kinds of conflicts. We were resolute in opposing and quelling the disturbance, and we made ample preparations in all areas. We were ready to deal with any kind of uprising, and, in the face of possible serious situation, we were prepared and had no fear. We upheld the general policy of guidance and tried as much as possible not to exacerbate conflicts. We provided patient and meticulous educational guidance, took every possible step to prevent the situation from deteriorating, and prevented bloodshed. We tried our utmost to unify the public and win over the majority of the people and the young students and isolate and crack down on the lawless elements and the few serious criminal elements who created the disturbance. Also, in accordance with the local situation at the time, the provincial party committee and provincial government sent out six notices in succession and took appropriate measures and steps to control and stabilize Gansu's situation and minimize the impact of the events in Beijing on the Lanzhou area. The result was most satisfactory.

We insisted on dealing with the realistic situation in Gansu and separated the political turmoil from the racial and religious problems and dealt with them according to different principles and in different ways. Because the provincial party committee made a correct decision, the racial and religious problems were quickly under control. This move was well-received and supported by the cadres and the people of all nationalities.

We insisted on doubling the effort and seizing the situation with both hands. On the one hand, we quelled the disturbance and stabilized the situation; on the other hand, we concentrated on production and the people's livelihood. We tried as much as possible to keep up normal production and market supply, minimize the losses caused by the disturbance, and calm the general mood. In most localities throughout the province, especially in the vast rural areas, the situation had always been stable. During the disturbance, we managed to prevent any interference in the province's industrial and agricultural production and to keep up the momentum of development.

We were determined to rely on the party Central Committee's positive voice to conquer the media front. We told the people the truth, dispelled the rumors, and taught the many cadres and the masses to stand on the side of the party Central Committee. We set high standards for the leading cadres at and above the county level and provided the leadership strength and created the backbone contingent to stabilize the situation.

The provincial public security organ set up a joint command post to deal with the disturbance and formulated various contingency plans. Several thousand public security police, military police, and soldiers were put on duty and on reserve to acquaint them with the situation and deal with the disturbances properly. They played an

important role in guaranteeing the safety of key government departments and maintaining traffic safety and order.

We launched a mammoth, powerful, full-scale, centralized crackdown and rectification movement and cracked down harshly on serious criminal activities. All localities acted diligently in the spirit of the provincial conference on politics and law, and, by mid-June, more than 2,000 criminal cases were investigated and solved. We exposed more than 5,200 assorted criminal elements, more than 1,500 of which have already been arrested, and destroyed more than 260 assorted gangs. These actions played an important role in quelling the disturbance, stabilizing Lanzhou, and calming the situation in the whole province.

At a moment so critical to the fate and the future of the party and the country, the absolute majority of the province's party organizations and government organs at all levels, leading cadres, party members, cadres, intellectuals, and the Communist Youth League organizations and members held on to their firm political stand; they were loyal to the party; they stood up to the tests; and they worked very hard and made important contributions to quelling the disturbances. The various democratic parties and factions and nonaffiliated patriotic personages were in the same storm-tossed boat with the CPC; we went through a severe test together, which reinforced our unity and cooperation. Under difficult circumstances, many people did many worthwhile things and played a positive role in stabilizing the situation. The masses of workers, peasants, and government functionaries stood fast at their posts. They surmounted difficulties, maintained normal production, and kept up with the work. Many veteran revolutionary cadres and comrades were very concerned about the developments and changes and the affairs of the party, and at the crucial moment when Gansu had to deal with the disturbances, they offered many good suggestions and played an important role. The public security police and military police and the security cadres scrupulously fulfilled their tasks. They endured humiliation in order to carry out their important mission and, day and night, they fought continuous battles. They contributed much to the quelling of the disturbance. The many officers and men of the PLA [People's Liberation Army] in Lanzhou's military zone and the province's military zone were ready in full battle array. They were determined to implement any instruction and order from the party Central Committee, the State Council, and the Military Commission of the CPC Central Committee. They became Gansu's powerful backup force in quelling the disturbance and stabilizing the situation. Because of the party Central Committee's correct decision, and because everyone in Gansu worked hard together and coordinated support from all quarters, we prevented the situation from deteriorating, prevented serious incidents of beating, smashing, looting, and arson, avoided bloodshed, and kept losses to a minimum.

Relying on Comrade Deng Xiaoping's Important Speeches To Reach a Common Understanding and Adopting Effective Measures To Strive for Thorough Victory in Quelling the Disturbance

Today, Gansu's political turmoil basically has subsided, the situation has stabilized, and things have returned to normal in all areas. But we still have a lot of work to do. We must rely on Comrade Deng Xiaoping's several important speeches and the gist of the 4th Plenary Session for guidance and seek unity of thinking, recognize the situation for what it is, implement the party Central Committee's instructions without reservation, and adopt practical and effective measures to strive for thorough victory in quelling the disturbance.

First, we must study Comrade Deng Xiaoping's important speeches and the gist of the 4th Plenary Session and try to understand what this round of struggle is really about. After the truth about the counterrevolutionary rebellion in Beijing is exposed, many cadres, citizens, and students who were confused are now beginning to learn the facts. But there are others who still have doubts about the real nature of this struggle. This is primarily because in recent years many cadres and people have grown indifferent to the idea of class struggle. They are no longer alert to the fact that although the focus of the party's important tasks has shifted, class struggle continues within certain limits, and under some circumstances class struggle can still intensify. Some people are afraid to talk about and are unwilling to listen to the concept of political struggle. The disturbances in Beijing and other cities as well as in Lanzhou proved that, in China today, there are still hostile forces that cling stubbornly to the bourgeois liberalist stand and vainly attempt to negate the CPC leadership and the socialist system; there are indeed reactionary forces plotting political conspiracy and collaborating with people overseas who are hostile to us, who provided illegal organizations with critical party and state secrets, and who attempted in vain to overthrow the People's Republic; there are indeed class enemies who have deep-seated hatred of the CPC and the socialist system, who want to set up a bourgeoisie republic in China. There are also people who have served prison time for beating, smashing, looting, arson, and murder and who have been released before they are properly reformed, as well as political hoodlums and gangsters and dregs of the gang of four and other scum of society who surfaced and linked up with the instigators of the disturbance and conspired with them. Do these not prove that this disturbance was the typical manifestation of the existence and intensification of class struggle? We must clearly recognize this class struggle under the new circumstances. The lesson of bloodshed reminds us once again that we must never ease up on the class struggle against those people; we must never weaken the people's democratic dictatorship.

Today, some people are saying that thorough investigation and cracking down on the serious criminal elements who instigated the disturbance is "squaring the accounts after the autumn harvest"—settling the score with the

students now that the trouble is over. They suggest that the government is going back on its word. This is not true. The fact is, all sorts of conflicts were intertwined in the struggle that was so critical to the future and the fate of the party and the nation. It was an extremely complicated situation. The party and the government kept a close watch on the situation and took very cautious steps. When the young students went on their processions, demonstrations, sit-ins, and hunger strikes and demanded that profiteering officials be punished and corruption be eradicated, the party and the government recognized fully their patriotic fervor and repeatedly engaged in dialogues with them and patiently solicited their ideas, advised them to abide by the democratic legal system and procedure in solving problems, cautioned them against being used by a devious few, separated the students from the handful of instigators of the disturbance, and tried as much as possible to mitigate the conflict. Some people just would not listen no matter how hard we tried, and they eventually went astray despite their good intentions and did things that had serious consequences. Some leaders of the illegal organizations were themselves the engineers and organizers of the disturbance. A few students went to the wrong side as the situation developed and eventually teamed up with the counterrevolutionary thugs. How can investigating and affixing criminal responsibility according to law of these people who have violated the criminal code be termed "settling accounts after the autumn harvest"? As for the majority of the young students, some might have momentarily lost their senses, and others might have gone to extremes in word and deed; they were swept up in this complicated struggle before they had figured out what was right and wrong. Theirs is primarily a matter of education. We must help them review and learn from their experience. This, of course, cannot be looked upon as "settling the score."

Other people suggest that "today's 'ferreting out the enemies' is likely to bring a round of 'rehabilitation' tomorrow." Not only are some ordinary people worried about this, even some cadres, to different degrees, have doubts. Some people are comparing this incident with the April 5th Incident in 1976. The truth is, they are entirely different in nature. The April 5th Incident was the people's rebellion against the perverse reactionary acts of the counterrevolutionary clique of the gang of four as the nation mourned the passing of Premier Zhou Enlai. This time, however, a handful of hostile elements seized the opportunity of the death of Comrade Hu Yaobang and used that as an excuse to incite and create a disturbance and a rebellion with the purpose of overthrowing the CPC and the socialist system. Judging from facts already publicized, the viciousness and cruelty of the handful of counterrevolutionary thugs are unmatched in the modern civilized world. When dealing with such serious turmoil and this kind of counterrevolutionary rebellion, how can there be any doubt and concern about the handling of the organizers of the disturbance and the counterrevolutionary thugs? There is no way this case will ever be overturned, and there will

never be a "rehabilitation" problem. If this kind of doubt is not erased, our ideology will always be shackled, and we can forget about the thorough victory in quelling the disturbance and suppressing the counterrevolutionary rebellion.

There are others who feel that the disturbance is quelled and the rebellion suppressed, and there is peace on earth and everything is fine. We must guard against this kind of apathy and lax mentality. The fact of the matter is that the struggle is not yet over. We still have a lot of arduous, detailed work to do if we are to unify the masses of cadres and people behind the party Central Committee's decision. In recent years, the flood of bourgeois liberalist thinking is everywhere. We must not overlook or underestimate its effect and danger. We must remind the people of Gansu that they must keep up their morale and their will to struggle, and we must take quelling the disturbance and suppressing the counterrevolutionary rebellion as one of the central tasks of the province today and devote ourselves to this mission.

Second, we must comb out the serious criminal elements who instigated the disturbance and continue to crack down harshly on all types of criminal activity. In order to implement thoroughly the decision of the 4th Plenary Session of the 13th CPC Central Committee to "put an end to the disturbance, suppress the counterrevolutionary rebellion, make a clear distinction between the two kinds of conflicts, and further stabilize the situation in the country," we must investigate the political upheaval thoroughly. This is the first and foremost political task. If we fail to comb out the counterrevolutionary thugs and the criminal elements who instigated the disturbance, if we let them go scot-free or let them hide out, we will be sowing the seeds of future trouble; the country and the people will have no peace, and the hopes of the people of all nationalities in this country for peace and unity will never be realized, nor will we be able to build a highly civilized, highly democratic, strong socialist nation. And that will go down in history as a mistake. The handful of engineers, organizers, and behind-the-scene commanders of the disturbance and the backbone elements of the assorted illegal organizations as well as the criminal elements who endanger society by committing serious crimes such as beating, smashing, looting, arson, and murder must be punished according to law; otherwise it will be impossible to vent popular indignation or guard the sanctity of the Constitution and the law. We must recognize fully the gravity, complexity, and protracted nature of this struggle. After their scheme failed, individual diehard elements still clamored that "as long as the green mountains stand, we will never run out of firewood," and "wait another 5 or 10 years." Some even declared that "we will go underground and fight to the bitter end." Only if we firmly, thoroughly, cleanly ferret out this handful of individuals and punish them severely according to law can we ensure future social stability and everlasting peace. In order to do a thorough job in the investigations, the provincial party committee has decided to form an investigative

leading team. We will also try to sort out and clean up our own organization in accordance with the party Central Committee's and the provincial party committee's plan. We must treat the investigation and rectification tasks as this year's primary tasks. We cannot just go through the motions and do the work superficially. We must be determined to seize complete victory in quelling the disturbance.

As we comb out and crack down on the serious criminal elements who instigated the disturbance, we must also crack down hard on other serious criminal offenses in order to maintain order in society. Some thugs, scum, hooligans, and people who had just been released from jail or had completed their reform-through-labor were the backbone elements of the recent disturbance. We must seize the opportunity and link the serious crackdown on hardened criminals to the investigation and crackdown on criminal elements who instigated the disturbance. Since the provincial conference on politics and law in April of this year, localities have acted in the spirit of that conference and have begun to focus on the crackdown and rectification of various serious criminal elements; they have done well and have won the support of the people. But, progress has been uneven in different localities. In particular, murder, robbery, rape, assault, theft, and drug trafficking and other serious crimes are still rampant. There are still serious public security problems in some cities under the province's jurisdiction, along the railroad routes and highways, and in industrial and mining districts. Earlier, because of the turmoil, the centralized crackdown and rectification efforts in Lanzhou and other areas were hampered. Today, we must face the current public security situation and its characteristics, make plans to effect some changes, and try to make good in this area. We must take firm and effective measures and continue to crack down harshly on the criminal elements who have committed heinous crimes and criminals on the run as well as on the gangs. We must leave no room for underworld-type gangsters to take root and ban the many hideous social phenomena. Criminal elements who engage in gambling, who take drugs and engage in drug trafficking, and who engage in prostitution and procurement and the propagation of obscene materials must be punished severely according to law. We must focus on the public security issue and continue to target specific crimes via different methods. We must reinforce public security management and do a better job with comprehensive rectifications to create a better environment for promoting Gansu Province's comprehensive reform and opening up.

Third, we need to have a good grasp of the policies and make a clear distinction between the two kinds of conflicts. In the recent disturbance, few were bona fide criminal elements; most people were dragged into the movement. In ferreting them out, we must be firm and not go soft on the criminals, but we must also seek truth from facts and not broaden the scope of the crackdown unnecessarily. We will not spare one bad guy, but we do

not want to harm one good person either. We need to have a correct understanding of the concrete policies and regulations drawn up by the party Central Committee, the State Council, and the province, implement them diligently, and make a clear distinction between the two kinds of conflicts. We must abide strictly by the law and draw a clear line between guilt and innocence. Anyone who violates the law and engages in criminal activities will be prosecuted according to law. We must insist on the facts as the basis and the law as the criterion and analyze specific cases specifically. In Gansu, the disturbance took place mainly in the Lanzhou area. It was related to the counterrevolutionary rebellion in Beijing, but there were also differences. We must insist on seeking truth from facts and act according to the pertinent laws and policies. We must separate those people who are under the influence of bourgeois liberalism or subscribe to liberalist expressions from those who stubbornly cling to the bourgeois liberalist stand and involve themselves in a political conspiracy; separate people who believed in rumors, spread rumors, and gave vent to their grievances from those who fabricated rumors and engaged in counterrevolutionary propaganda and provocation; separate people who participated in putting up the roadblocks, lying on the tracks to block the trains, and blocking the entrances to the factories to prevent the workers from going to work from the leaders who engineered and organized these activities; separate those who were told to put up or distribute counterrevolutionary posters and pamphlets and large-character or small-character posters from those who manufactured the reactionary propaganda materials and organized their propagation; separate people who took part in the processions, rallies, sit-ins, and hunger strikes from the handful of organizers and conspirators; separate people who were extreme in word and deed from those who deliberately attacked and conspired to overthrow the party and the government; separate ordinary members of the illegal organizations from the leaders who organized, planned, controlled the disturbance, and did evil deeds; separate people who traveled to Beijing to support the student activities from those who went to Beijing to take part in the counterrevolutionary rebellion. In the investigations, we must apply the law in a civilized manner; officials are prohibited from trying to get forced confessions. We must be frank and lenient and resist the policy of extreme severity. We must strive to win over and unite with as large a majority of the people as possible. During the recent political upheaval, it was not the intention of the majority of the students to start a disturbance. They only wanted China to achieve modernization as soon as possible. A handful of hostile elements, however, took advantage of their lack of worldly experience and their furious indignation and led them astray. Thus, the majority of those who took part in the processions and demonstrations, hunger strikes, and sit-ins were people who did not understand the truth and were politically naive. Only a handful were really reactionaries who were involved in a political conspiracy. We must calmly and sober-mindedly distinguish the difference between the two kinds of conflicts and try as

much as possible to educate and unite the majority, and, through detail ideological education, we must guide them through the current rigorous political struggle as they review their experience, learn to tell right from wrong, join the party and the people of the whole nation to expose the crimes of the handful of people who conspired to instigate a disturbance, and do solid work to defend the party and the socialist system as the way to correct their mistakes. Thereupon, the state will not pursue the matter any further. Even for those who have made more serious mistakes, if they voluntarily confess and have a good attitude about admitting their mistakes, they will be let off easy or spared all punishment. We should work harder on differentiations and education, eliminate all unstable factors, and help Gansu move further toward stability.

In short, the task of combing out criminal elements is both complex and urgent, but as long as we are in complete agreement with the party Central Committee with respect to ideology, politics, and action, and as long as we have a clear-cut stand, maintain a practical work style, keep strict discipline, implement the state's policies and laws correctly, and guide the people patiently, we will be able to accomplish this task and seize the final victory.

Fourth, we must concentrate on the four major undertakings, continue to work on the rectification and improvement tasks, and stand firm on punishing the corrupt. The people firmly support our effort to quell the disturbance and suppress the counterrevolutionary rebellion. The main reason is that disturbance and rebellion interfere with and ruin the province's economic constructions. They interfere with and destroy the stable social environment necessary for the economic constructions. They interfere with and undermine the development of society's productive forces. We must take effective steps, do a good job with economic rectification and improvement, implement thorough reform, and prevent the economy from slipping. We need to maintain steady economic growth, manage product prices closely, and limit the amount of price increase. We must strengthen ideological and political work and educate the masses of cadres, people, and young students on patriotism, socialism, independence and self-determination, and on arduous struggle. We vigorously oppose bourgeois liberalism. We must reinforce the party establishment, strengthen democratic constructions and the legal system, and stand firm on punishing the corrupt.

Punishing the corrupt and dealing with all sorts of violations of law and discipline are an important part of Comrade Deng Xiaoping's and the 4th Plenary Session's proposal of "doing practical work to win the trust of the people." We must take vigorous and speedy action to investigate the large and crucial cases. The leading comrades must personally organize a crack team and strive to break the few major cases that have serious fallouts, including cases that involve the giving and taking of bribes, official profiteering, abuse of power to

reap personal gain, and disregard of order and ignoring prohibitions. We must speed up the process of sorting out and putting businesses in order. We should suspend or revoke the licenses of companies that violate law and order. Serious economic crime cases that involve official profiteering, ill-gotten wealth, giving or taking bribes, and acts that harm the country should be dealt with quickly and publicized promptly. We should reinforce management and supervision of primary-level administrative management and law enforcement departments and public agencies that are in charge of money, materials, people, certification, and projects. In investigating and handling criminal cases, first, we must be accurate; second, we must be quick. We can enlist the help of experts and members of the democratic party and factions, and make the handling of court cases more above-board. In investigating large and crucial cases, we must have a strong sense of discipline. We must be strict about enforcing discipline, handle the cases according to law, and resist all pleas for mercy by third parties. In particular, in cases involving leading cadres, we must dare to act and never tolerate or accommodate them; otherwise, we will never be able to win the trust of the people. The provincial party committee and the provincial government have made a firm decision that anyone, regardless of his status and position, who violates party discipline, political discipline, and the laws of the country will be subject to thorough investigation until the truth is uncovered and will be dealt with seriously. Anyone who violates the criminal code will be punished by law. Once again, on behalf of the provincial government, I earnestly urge all public figures and the masses of cadres and citizens to turn in people who have violated law and order and to report crimes. Officials in the relevant departments throughout the province must treat reports seriously and make sure that every case is looked into and every question is answered. They must work solidly to support and encourage people to report and turn in criminal elements.

Facts prove that most cadres who violate law and order often started out indulging in comfort and luxury and eventually fell into the arms of the law. People grumble about and very much resent the ostentation and extravagance, lavish spending, food and drink, travels and leisure, and entertainment and gift-giving. These are the things that made people complain about corruption in our party and government. Extravagance and waste not only rob the country of its wealth but also corrupt our cadres, corrupt the morals and spirit of the nation and its people, and ruin the image of the party and the government. It requires comprehensive rectification to change those practices and tendencies. The party, the government at all levels, and the leaders of all ranks must work together on this problem. For this reason, we will combine the reform and opening up with our modernization effort and formulate new programs and find new ways to punish the corrupt and promote honesty in government. We will strengthen the system of honest government, make anticorruption measures practical and feasible, and not only functional but also effective in stimulating

the party and inspiring the people. The people should be able to feel that the government is a government that serves the people.

Comrade chairman, vice chairmen, and committee members:

Quelling the disturbance and investigating the incident thoroughly are tasks that enjoy immense popular support. We are determined to rally tightly around the party Central Committee, and in accordance with the specific requests of the enlarged meeting of the second session of the seventh Gansu provincial party committee, we will work together with one heart and one mind, struggle arduously, surmount all difficulties, work a hundred times harder to complete the task of quelling the disturbance, and with full confidence of victory, we will continue to carry Gansu's various socialist construction undertakings forward.

Improvements Urged in Xinjiang Minority Education

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[Article by Chen Shengyuan 7115 5116 6678, Xinjiang Education Scientific Research Institute; Lin Sheng 2651 5116, responsible editor: "Improving Quality Is the Main Direction of Attack for Xinjiang's Education"]

[Text] In developing the cause of education, we must give consideration to both quantity and quality. The quality and the quantity of education are the intrinsic unity of two opposites in education itself, and are interdependent, inseparable attributes. The quantity of education is the condition for its quality, and the quality of education is the foundation for its quantity. If either is lacking, it is not education.

Improving people's quality is the fundamental task of education. The CPC Central Committee's "Decision on Reforming the Educational System" points out: "The fundamental objective in reforming the educational system is to improve the nation's quality, to bring forth more talented persons, and to bring them forth faster." Improving the quality of education means improving the people's basic qualities, namely, the quality of their knowledge and intellect, the quality of their ethics, the quality of their work, the quality of their aesthetics, and so forth. At present, there clearly exists in our region an imbalance between quality and quantity, and improvement in quality is lagging behind the development of quantity. In June 1987 the "Decision on Several Principal Issues in Our Region's Current Educational Work," issued by the autonomous region's party committee and people's government, pointed out: "Compared with the country as a whole, the scope of our region's education, from a general view, is already not small. We must, in the future, under the premise of ensuring quality, seek to develop it, and we must not just pursue speed in this development." "We must further improve the quality of

education and make this improvement the main direction of attack in our region's educational work."

I think that the thesis of making improvement in the quality of education the main direction of attack is a correct appraisal of our region's education. However, there is another view at present, which maintains that the development of quantity is still the principal contradiction in Xinjiang's education, and that this is especially true in minority nationality education. Other people think that the quality of Xinjiang's education is not bad and that the quality of minority nationality education is also not bad and, therefore, there is no need to make a fuss. The focus of the difference here is: How, in the final analysis, is the state of development of Xinjiang's education to be appraised? In this regard, it is necessary to make a demonstration with facts as the basis in order to unify understanding, keep in step, and struggle hard to achieve the strategic goals in the development of the autonomous region's education.

In 1987 there were 20 schools of higher learning in our region, 20 times the number in 1949. In them were 29,801 students, among whom were 16,916 nationality students, 78.63 times the number for 1949, and among whom the number of minority nationality students was 91.45 times the number for 1949. There were 100 specialized middle schools, 9.09 times the number in 1949; in them were 39,842 students, 20.07 times the

number in 1949, and among whom the number of minority nationality students was 16.36 times the number in 1949. There were 2,052 ordinary middle schools, 228 times the number in 1949; in them were 1,046,403 students, 357.74 times the number in 1949, and among them the number of minority nationality students was 205.53 times the same number. There were 7,813 elementary schools, 5.85 times the number in 1949; in them were 1,884,884 students, 9.52 times the number in 1949, among whom the number of minority nationality students was 6.72 times the same number. These figures show that, in scale, speed, and growth ratios in the development of education, our region far exceeds the average levels of the country as a whole. The gap between our region and the country as a whole has basically been bridged. In 1987, for every 10,000 persons in our region there were 20.24 students in ordinary schools of higher learning, 28.08 in ordinary specialized middle schools, 195.56 in ordinary senior middle schools, 560.71 in junior middle schools, and 1,362.27 in elementary schools. Compared with the country as a whole, the imbalance in quantitative development has been basically changed.

Within the region itself the imbalance in quantitative development has also been markedly changed. In 1987 for every 10,000 persons of all nationalities in our region, the number of students in all types and levels of school can be seen listed in the table.

	Ordinary School of Higher Learning	Ordinary Specialized Middle School	Senior Middle School	Junior Middle School	Elementary School
Uygur	19.24	21.57	98.08	312.69	1,403.13
Han	21.99	35.50	325.28	895.83	1,220.38
Kazak	23.99	39.8	195.17	480.07	1,733.76
Hui	4.43	12.31	73.47	412.07	1,733.76
Kirgiz	15.78	27.43	101.23	310.04	1,513.03
Mongolian	27.80	64.58	301.76	649.04	1,529.17
Xibe	68.60	56.34	413.60	853.72	1,459.87
Tajik	11.81	22.94	74.56	213.90	1,602.90
Uzbek	118.67	481.84	343.73	556.52	821.42
Manchu	22.11	46.07	274.58	557.45	862.43
Tatar	106.18	70.79	394.77	419.28	860.33
Daur	40.83	20.41	200.04	751.12	1,326.8
Russian	95.7	91.88	342.65	794.41	911.18
Average number for China as a whole	17.87	17.78	73.40	396.10	1,217.9

These statistical figures show that, except for the Hui, Kirgiz, and Tajik nationalities, whose level of development is still fairly low, all the other nationalities surpass the national average, and, by and large, the gap in balance between the nationalities is not very wide. Even the Hui, Kirgiz, and Tajik nationalities, compared with the national level, are not lower in every aspect, and in some aspects they are higher than the average national number.

However, looking at the qualitative aspect, we see that there is a very big gap between our region's educational

quality and that of the nation as a whole, and that, within the region, the educational quality of minority nationalities is lower than that of the Han nationality. In Xinjiang, minority nationality education is the focus of the entire region's education. Some people do not face this reality squarely and, constrained by custom, do not make lateral comparisons of minority nationality education and are blindly optimistic. This is highly detrimental to the reform of minority nationality education, the cultivation of talented persons, and the development and prosperity of minority nationalities. Only by telling

the facts will we make people change their concepts. First of all, in elementary schools the rate of failing to pass to the next grade is higher for the minority nationalities than it is for the Han nationality. In 1986, in elementary schools the rate of failure was 10.68 percent for the minority nationalities and 7.4 percent for the Han nationality; in 1987 this rate was 10.43 percent for the minority nationalities and 7.79 percent for the Han nationality. From the national perspective, neither rate was low, but the minority nationality rate was relatively higher than that for the Han nationality.

Second, in college entrance examinations the marks for minority nationalities are lower than those for the Han nationality. In the 1986 college entrance examination admission score, the Han nationality scored 435 in science and 440 in the liberal arts, while minority nationality marks were 300 in science and 245 in the liberal arts. In 1987, for the college entrance examination admission score for key colleges, the Han nationality's marks were 470 in science and 445 in the liberal arts, and for ordinary colleges they were 435 in science and 428 in the liberal arts; for key colleges the minority nationalities' marks were 313 in science and 269 in the liberal arts, and for ordinary colleges they were 282 in science and 262 in the liberal arts. In 1988, for the college entrance examination admission score, for key colleges the Han nationality's marks were 480 in science and 463 in the liberal arts, and for ordinary colleges 453 in science and 453 in the liberal arts; for key colleges the minority nationalities' marks were 423 in science and 305 in the liberal arts, and for ordinary colleges 384 in science and 304 in the liberal arts. Under the circumstances in which the majority of minority nationality examinees had questions assigned from this region on their college entrance examinations, in comparison with the Han nationality their scores in science averaged 134 points lower and in the liberal arts averaged 168 points lower. These are gaps of considerable width.

Looking at the college entrance examination scores made by minority nationality examinees in Kashi and Ili Prefectures, we see that in 1985 there were 2,315 examinees of the Uygur nationality in Kashi, and all of them received marks lower than 30, with 79 percent of them getting less than 10. In the same prefecture there were 1,067 Han nationality examinees, and in mathematics 9.5 percent of them scored 60 or higher, with the highest scoring 100, and 50 percent scored lower than 30. Only eight minority nationality students (one of them passing the examination) scored 50 or higher in physics, 0.34 percent of the examinees, and 99.65 percent scored lower than 50. In Ili Prefecture, in 1987 there were 870 Kazak nationality examinees in science. In mathematics their marks were all under 50, 98.5 percent scoring lower than 30; in physics their marks were all under 59, 84.7 percent scoring lower than 30; in chemistry (the examination questions were on our region), 104 examinees, 11.9 percent, got passing marks and 30.4 percent scored less than 30. In the same prefecture there were 2,777 Han nationality examinees. In mathematics 729 got passing

marks, 20.19 percent (of whom 17 scored 90 or higher), and 19 percent scored under 30; in physics 24 examinees, 0.8 percent, got passing marks, and 48 percent scored under 30; and in chemistry 1,042 got passing marks, 37.5 percent (of whom 14 scored 90 or higher), and 14.2 percent scored under 30. The above-mentioned situation shows that, in comparisons in the same place, the gap between minority nationality students and Han nationality students in college entrance examination scores is very wide.

Third, in 1986 the autonomous region's teaching department and the region's education bureau, in line with the Teaching Outline for Mathematics, conducted spot tests with middle-level examination questions, and the marks of minority nationality students were distinctly lower than those of Han nationality students. In Kashi City, Yecheng County, and Zepu City, second-year junior middle school students and first-year senior middle school students of 12 middle schools were examined in three subjects—geometry, algebra, and physics. The proportion of students scoring under 50 were: for minority nationality second-year junior middle school students, in geometry 89.56 percent, in algebra 82.5 percent, and in physics 94.26 percent; for minority nationality first-year senior middle school students, in geometry 99.46 percent, in algebra 97.15 percent, and in physics 98.1 percent; for Han nationality second-year junior middle school students, in geometry 27.68 percent, in algebra 44.69 percent, and in physics 50.28 percent; for Han nationality first-year senior middle school students, in geometry 32.24 percent, in algebra 44.32 percent, and in physics 30.39 percent. The above-mentioned examination scores show that the proportion of minority nationality students in the lower range of scores is extremely large. In 1987 four levels of students—first and second years of junior middle school and first and second years of senior middle school—were tested in Yining City's Nos 1 (Kazak), 7 (Uygur), and 8 (Han) middle schools. In the No 1 Middle School the percentage of students scoring less than 30 were: in first year of junior middle school 100 percent, in second year of junior middle school 98.3 percent, in first year of senior middle school 100 percent, and in second year of senior middle school 100 percent. For the No 7 Middle School the percentages were: in first year of junior middle school 54 percent, in second year of junior middle school 98.3 percent, in first year of senior middle school 94.2 percent, and in second year of senior middle school 100 percent. In the No 8 Middle School, the students scoring 60 or higher were distributed as follows: first year of junior middle school 62.3 percent, second year of junior middle school 40.98 percent, first year of senior middle school 98 percent, and second year of senior middle school 30.51 percent. From this comparison we see that the gap in scores between the minority nationality students and the Han nationality students is also very wide.

Fourth, in the depth and breadth of knowledge mastered and in actual capability, minority nationality students are also universally lower than Han nationality students.

In its tests in Kashi Prefecture, the teaching department discovered that the range of knowledge of minority nationality students was extremely narrow. Only half the students could solve mathematical problems involving extremely simple operations and steps. With regard to problems that involved a little wider range of knowledge and a little more complex operations and steps, almost none of them could solve the problems; and with regard to problems that required the use of spatial concepts in making judgments and inferences, the great majority of students could not solve them. The higher the year in school, the greater the depth, breadth, and difficulty of the knowledge, the poorer the students' mastery. Tracing the source, we find that they did not have a solid mastery of basic knowledge and basic skills; their understanding of the content of the teaching materials was not thorough; they did not relate concepts, formulas, and problem solving; their capability for analysis and synthesis in solving problems was poor; their capability for logical thinking was poor; and when they encountered problems requiring operations that were a little complex or requiring judgments and inferences they did not know what to do. Their ability to conduct experiments was poor. Students in the second year of junior middle school could not use a microscope, and top students in senior middle school could not make experiments in the extraction and solubility of ammonia gas.

Education cannot be separated from three conditions—people, financial resources, and material resources—but, comparing the three, people are the primary factor. A survey by the teaching department of 12 minority nationality and Han nationality middle schools in Kashi, Yecheng, and Zepu showed that in the minority nationality middle schools the student dormitories and laboratories and the instruments and equipment for teaching were slightly superior to those of the Han nationality middle schools, but the quality of teaching in them was far poorer than that in the Han nationality middle schools. That this was the case is mainly because the standards for teachers and school administration were low. It is thus obvious that the quality of teachers and the standard of education administration decide the quality of the talented persons who are trained. Therefore, building a contingent of teachers that is sufficient in quantity and more qualified in quality is an important key to improving the quality of education, and is also now a matter of pressing urgency in our region's educational work.

In our region the quality of middle and elementary school teachers is poor, and their number is insufficient. According to 1987 statistics, the rate of educationally qualified teachers in middle and elementary schools was very low—in senior middle school 21.9 percent, in junior middle school 26.48 percent, and in elementary school 60.52 percent—all lower than the national average (39.3 percent in senior middle school, 27 percent in junior middle school, and 62.8 percent in elementary school in 1986). Through many years of on-the-job training, the professional qualification rate has become a little higher

than the educational qualification rate, but the qualification rates in general are still very low.

The above-mentioned situation shows that teacher education in our region must undertake a dual, arduous, important task, namely, on the one hand, on-the-job training of unqualified teachers and, on the other hand, training and bringing up a large number of new qualified teachers. In training and improving teachers on the job, we must lay equal stress on profession and politics and strive for actual results. Professionally, we must systematically give to the teacher refresher courses in his subject and related subjects, so that his knowledge is made systematic and he attains the requisite degree of qualification, and we should give refresher courses in educational psychology, pedagogics, and teaching methods in order for the teacher to master the basic principles and art of teaching. Politically, we must put emphasis on raising the consciousness of patriotism, establishing the revolutionary outlook on life, being devoted heart and mind to the cause of education, loving students, training the younger generation by giving them a good education, improving the quality of the nationalities, and making the thorough changing of the backward appearance of the nationalities one's own task; and, in line with the spirit of having total responsibility to the country, nationalities, society, heads of families, and students, diligently, conscientiously, and solidly do good educational and teaching work. We must thoroughly change indolent habits and establish a work style of conscientiously seeking truth, being diligent, capable, and experienced and being strict and conscientious. The form of refresher courses may vary, but we should stress getting actual results from them. To get results in practice it is best for teachers to be released from work to take the courses, and the suitable periods of time for such release are 1 year for elementary school and 2 years for middle school. We must integrate the improvement of educational and professional qualifications with the refresher courses and the records of formal schooling. Strengthening the teaching forces in teachers' refresher-course colleges at all levels, and implementing the organizational work for refresher-course coaching are the keys to improving the beneficial results of teacher training. We need on-the-job training to improve teachers that is large in proportion, large in quantity, and complex in task; this is a matter that needs to be dealt with constantly.

Based on a forecast of the autonomous region's population as well as the universal 9-year compulsory education, the development of vocational and technical education, the urban universal senior middle school education, and other factors, it is estimated that there is a need for an addition of a little over 50,000 new elementary school teachers, a little over 30,000 new junior middle school teachers, 30,500 new senior middle school (including vocational and technical school) teachers (calculating that 70 percent of junior middle school graduates go on to the middle school stage of education, including vocational and technical education). The current teacher training system would find it

difficult to undertake such a big training task. Therefore, we must readjust the existing teacher training system and network. The existing 19 middle-level teacher training schools can undertake the task of training 50,000 elementary school teachers, but it would be very difficult for the existing nine high-level teacher training colleges to take on the task of training 65,000 middle school teachers. Looking at the student enrollment situation in 1987, we see that the nine colleges enrolled a total of 2,400 persons. From this it can be estimated that it would take 27 years to train 65,000 teachers. How could this be done? To reform the teacher education system and readjust the teacher education network, we must break away from the single general teacher structural form and put into effect a multidimensional, multilevel teacher education system in which there is an integration of general, kindergarten, vocational, and technical teacher training and special education teacher training. This is the only way to fundamentally improve the quality of elementary school education. In the world today, the elementary school teachers of the developed countries and the five Soviet republics adjacent to China have been developed to the level of being graduates of teacher training colleges or specialized teacher training schools. Some people in China think that there is a surplus of elementary school teachers and that there are too many middle-level teacher training schools, and advocate that some of them be cut. I think that not only should there be no cuts, but, on the contrary, that we should select some of them and, by vigorously enriching the teaching and equipment aspects, gradually make the transition to teacher specialities. If this is not done, the requirement to train junior middle school teachers will not be met.

The fundamental problem in raising the level of administration is to improve the quality of education administration departments and the quality of leading cadres of schools at all levels. We must, through training, make them understand the basic principles of the science of education, understand the principles and policies on

education, comprehend the laws of educational work, master the modern science of education administration, be good bureau directors and school principals, learn to proficiently lead education and training work and handle major problems, make administrative work orderly, and make scientific forecasts and scientific policy decisions on the development of all educational undertakings. First of all, we must, on the foundation of establishing and perfecting various conventional systems for work, formulate step-by-step evaluation systems for administrative departments and schools at all levels, for teacher work, ideological work, and teaching work, and enhance the quality of administration for all work. We oppose the scholasticism of metaphysics and oppose the use of many rules and regulations to bind leaders and teachers hand and foot. However, we advocate that for all work there be demands, rules and regulations, and standards, and that indolent behavior of leaders such as having no plans for or inspections of work and of teachers not preparing lessons, not correcting students' papers, and not making experiments absolutely not be allowed to continue. All teachers must understand that we are in the initial stage of socialism, in which we are building socialism with distinctive Chinese features, that there are many difficulties, and that now is not the time to relax but that there needs to be solid struggle in all aspects for several decades. We must cast off the label of backwardness, face modernization, face the world, and face the future, study the new science of administration, understand the information on education administration in China and abroad, raise the level of administration, and switch our administrative work from the conservative empirical model to the scientific forecasting model.

Of course, certain material conditions are required for the improvement of the quality of education: more funds, improved equipment, and the study of the Chinese language in the minority nationality schools are all necessary. However, raising the level of teachers and administration is of key significance. Therefore, we must first of all grasp this key.

Foreign Labor Causes 'Problems' for Taiwan

40060592 Hong Kong LIAOWANG [OUTLOOK] in Chinese No 18, 1 May 89 pp 25-26

[Article by Wang Jianmin 3769 1696 3046: "Taiwan's Foreign Labor Problems"]

[Text] In recent years numerous workers from the Philippines, Thailand, Indonesia, Malaysia, and other Southeast Asian countries have entered the Taiwan labor market by means of "visiting" and "receiving training." These workers have gradually become a major source of labor for Taiwan's construction, electronics, textile, and iron and steel industries. This situation has made up Taiwan's labor shortage but at the same time has also created a series of social, political, and economic problems that have aroused the interest of many parties.

Reasons Foreign Workers Move to Taiwan

In the last few years a large number of foreign workers have moved to Taiwan, primarily for the following three reasons:

First, Taiwan's high income and high wages have attracted Southeast Asian workers to Taiwan to "pan for gold." Taiwan has a current per capita gross national product of US \$6,000, which is far higher than that of the Philippines, Thailand, Indonesia, Malaysia, and other Southeast Asian countries. Taking monthly wages as an example, the monthly wage of the average Philippine worker is between NT\$2,000 (New Taiwan dollars) and NT\$3,000, the average for a worker in Malaysia is NT\$1,200, NT\$1,000 for workers in Indonesia, and from NT\$800 to NT\$1,000 for those in Thailand. These amounts are much lower than the monthly wage of workers in Taiwan's clothing manufacturing industry, who have the lowest monthly salary of all Taiwan workers: NT\$12,000 per month. The income foreign workers can make in Taiwan in 1 year is equal to the income they would make in their own countries in 5 to 10 years.

Second, Taiwan has a serious shortage of entry-level workers and needs foreign labor to make up this shortage. In addition to the worker shortage Taiwan has in construction, textiles, electronics, home appliances, footwear, and other labor-intensive light industries, it also has insufficient workers for heavy industries such as iron and steel, automobile manufacture, and machinery.

Taiwan's worker shortage, however, is not the result of having insufficient manpower, but of an unbalanced worker supply and demand structure. This, in turn, is the result of an overabundance of high-level workers and an insufficient supply of entry-level workers. On the one hand, Taiwan has an unemployment rate of about 1.8 percent, which equates to 160,000 to 200,000 people out of work. On the other hand, some enterprises cannot find needed workers and have a total worker shortage of 200,000 people.

The factors that created this situation are:

—The development of education has brought about a rapid increase in high-level manpower and a decrease

in entry-level manpower. Each year 90,000 people graduate from Taiwan universities and colleges, accounting for one-third of the youth entering the labor force. With the market needing primarily cheap, entry-level workers, this has created an unbalanced manpower supply and demand structure.

—The concept of value has changed with the employed population flooding into the high-paying service trades that have a good work environment; nobody is willing to engage in strenuous, dangerous, and sweaty low-level physical labor. As a result, this created a "manpower shortage" for these kinds of enterprises, forcing them to set their sights on foreign workers.

—Social morale has deteriorated so that some workers take advantage of opportunities. Taiwan's active expansion of exports has created a large amount of floating capital and underground investment companies, such as Taiwan's most popular stock-craze, money-game houses, "dajiale" [1129 1367 2867] and "liuhecai" [0362 0735 1752]. This created an attitude of "making gains without working" and "striking it rich overnight." This attitude has caused people to be dissatisfied with their present positions and be inclined to take advantage of any opportunities that come their way, making it difficult for some enterprises to find a work force.

—The increasing pressure of international protectionism has forced the value of the Taiwan dollar to increase greatly. Along with the development of environmental protection and the labor movement, labor wages have risen sharply, production costs have gone up, putting immense pressure on labor-intensive industries. These factors also forced enterprises to rely on cheap foreign labor in order to survive.

The Emergence and Development of Foreign Labor

The emergence and development of foreign labor in Taiwan took place in two main stages:

The first stage consisted of the period from 1980 to 1985. During this period workers began coming into Taiwan under the guise of sightseeing, especially female health workers from the Philippines who were engaged mainly as female servants and other service type of work. However, these workers did not have much of an impact due to their small number.

The second stage consists of the period from the beginning of 1986 to the present. Taiwan's labor force requirement increased and, during the last half of 1986, foreign workers began coming into Taiwan on a large scale. This has caused the concerned areas in Taiwan to take note and adopt measures to expel over 2,000 workers from the Philippines and Thailand.

By 1987, Taiwan's labor shortage had intensified, affecting the normal operation of some factory and business enterprises. This gave rise to a surge of importing foreign workers, resulting in an emergence of

"Thailand brides" and of pornography and other attention-getting social problems. Meanwhile, bringing in foreign workers has become a topic of controversy for all sectors. For example, labor-intensive industries are calling for authorities to relax restrictions on foreign workers coming into Taiwan, so the problem of insufficient manpower can be solved while labor organizations are staunchly opposed to bringing in foreign workers lest their rights and interests be endangered.

Whether to relax restrictions on foreign workers coming into Taiwan has become a troublesome problem for Taiwan authorities to deal with. On the one hand, authorities don't want to lift the restrictions because of the increased detriment it could have on industry. On the other hand, there are people "illegally" bringing in workers, causing increasing pressure on factories and businesses and a serious manpower shortage for the construction of the government's "14 projects." Besides, the government has to empower the labor commission as the main organization responsible for establishing and carrying out a "permit system" to control the influx of foreign workers. After several setbacks, the draft "employment service law" finally enacted the regulations on "the employment and management of foreign personnel" at the end of 1988. At the beginning of 1989, the government approved in principle the "Principles for Handling Employment of Foreign Labor Under the 14-Project Construction Plan." It stipulated that the project construction units must advertise openings in Taiwan for 3 days, and only if they can't hire the needed personnel within 2 weeks, can they apply for importation of foreign laborers.

Presently, the number of foreign workers in Taiwan is generally estimated to be over 100,000, with the highest estimate being 300,000.

The Channels by Which Foreign Workers Are Brought In

Even if Taiwan doesn't officially lift restrictions on foreign workers, there are still many channels by which they can come to Taiwan.

—Travel agencies, businessmen, and specialized personnel who are familiar with the situation in Taiwan and Southeast Asian countries can become intermediary contacts for bringing in these foreign workers. There appeared in Taiwan employment agencies for foreign labor that were set up like companies, collecting data on wanted personnel in all enterprise categories. These agencies also profit by keeping contacts with the prospective employers to bring in foreign workers on a large scale.

—Gain work or settle in Taiwan in the name of travel and tourism. In order to get into Taiwan, many foreign workers use either valid or false passports, "take another person's place by assuming his name," or get help from the "Overseas Chinese organizations" in Taiwan to enter. Of the people who enter Taiwan on tourist visas, many stay.

—Foreign workers entering Taiwan in the name of education. To encourage factories and businesses to invest overseas, the Taiwan authorities have stipulated that if a factory or business wants to move an operation or investment overseas they can ask to train a portion of the foreign workers in Taiwan. In this way, some enterprises can legally "give training" and bring in foreign workers. As a result, some foreign workers do not return to their own country after receiving training, but take the advantage of the opportunity to stay and make a living in Taiwan.

The Effect of Importing Foreign Workers on Taiwan

Bringing in foreign workers relaxes to a certain extent Taiwan's problems in worker shortages and rising wages and allows some labor-intensive industries to survive and develop. This can also increase production, stimulate demand, and be beneficial for a prospering economy. However, the problems associated with bringing in foreign workers are complicated, involve many aspects, and may produce a series of political, economic, and social problems.

At present, some negative aspects are gradually emerging.

1. Bringing in foreign workers further intensifies the already increasingly tense relationship of workers and wages and makes for an unsatisfactory political situation.

Bringing in foreign workers hinders wage increases for Taiwan's workers and improvements in work environment and welfare care, "causing for the entire society a potential for greater controversy in the worker-wage crisis and for an uneasy political situation." When factories and businesses call for restrictions to be lifted on foreign workers, labor organizations would immediately conduct protests and show their opposition to this. With regard to this problem, the policy of the authorities is not clear, they allow the government "14 construction projects" to bring in foreign laborers, but restrict the civic sector from doing so. This unreasonable method of "giving approval for the government to set fires and not allowing the people to light lamps" has made people dissatisfied and negative.

2. Bringing in foreign workers will extend the time it takes for Taiwan's industry to move up to the next level.

Currently, Taiwan's worker shortage is mainly in industries that are near elimination, have low technology levels, and are labor-intensive. Although bringing in unskilled foreign labor will create a force to protect the "sunset industries," it will affect the industry's desire to use automated production equipment and its encompassing technological advancement, thereby prolonging the time it takes for the industry to move up to the next level.

3. Bringing in foreign laborers will lead to many social problems.

For example, many female servants coming to Taiwan from the Philippines and other countries in order to obtain long-term legal residency in Taiwan often marry and establish families with local bachelors or old soldiers. The result is that after these "new brides" obtain their goal, many would either move out or steal money and disappear with no trace. This not only splits up families, but also results in many legal disputes.

Cultural conflicts. Because of different cultures and customs, there are often conflicts and fights among foreign workers or between foreign workers and local workers. In addition, instances of theft and murder are continually occurring.

Along with the increasing numbers of foreign workers, the social, political, and economic problems created as a result will become increasingly complicated and serious.

KMT's 'One-China Policy' Fades

40050639 Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 124, 24-30 Jul 89 pp 10-12

[Text] President Li Denghui, who used the "Singapore model" to abolish a 40-year-old diplomatic taboo, recently used the "Grenada model" to find a new crack in the diplomatic wall that surrounds Taiwan: dual recognition.

Grenada is a small island country with a population of only about 100,000; it is located 108,000 kilometers from Taiwan. It is of no military value to Taiwan, and its economic strength is insignificant; there is an annual trade deficit, its foreign exchange reserves are only a little over \$100 million, and inflation is quite high. It has hardly any trade to speak of with Taiwan, and there are no more than 10 Overseas Chinese living there, none of whom have relatives in Taiwan; indeed, had Reagan not sent troops there in 1983, there would probably be very few people in Taiwan who would be aware of the existence of this little speck of a country on world maps.

From this perspective, it is hardly important whether this sort of country is a friend or foe of Taiwan, but because Grenada is the first country in the world that has official diplomatic relations with the "People's Republic of China" and at the same time wishes to establish diplomatic relations with the "Republic of China," its establishing relations with Taiwan takes on a very special meaning.

Over two years ago, another small country in Central America, the Republic of Suriname (population about 400,000; a former Dutch colony, it achieved independence in 1975) wished to establish diplomatic relations with Taiwan; its diplomatic personnel had already arrived in Taiwan and an agenda for talks had been announced, but at the last minute Shen Changhuan [3088 2490 3562], the then godfather of diplomacy, put a stop to it. Shen Changhuan's reason was that Suriname had already established relations with the Chinese Communists, and if Taiwan were to establish diplomatic relations with that country, it would be violating the principle that there cannot be two Chinas. Furthermore, Suriname is a tiny country; Taiwan had no compelling reason to dispense with this principle and make such a great sacrifice on account of this one country. So for this kind of reason, an opportunity for "dual recognition" was nipped in the bud.

Compared to the example of Suriname, Grenada is even smaller, even poorer, and has even less international importance, but in the space of a few years, there have been distinctly different results. From this it can also be inferred that if Shen Changhuan were still a player on the diplomatic stage, this kind of outcome would be absolutely impossible. This, therefore, is the significance in Taiwan's diplomatic history of its establishment of diplomatic relations with Grenada.

Since Shen Changhuan is no longer a player, naturally this diplomatic breakthrough of "dual recognition" can proceed with one less force to oppose it. However, if the Ministry of Foreign Affairs does not receive some support, this particular breakthrough, within reach of success, may fail; the Ministry of Foreign Affairs support is, in fact, Li Denghui.

Li Denghui is a national leader who likes to play a hands-on role in foreign affairs. It can also be clearly seen from his words and deeds since taking office as president that he believes foreign affairs ought to fall within the scope of a president's responsibilities. Shen Changhuan's removal from the stage was Li Denghui's first step toward taking control of diplomacy; he wants to personally edit, personally direct, and personally act in this great diplomatic play. We can see that visiting Singapore and accepting such titles as "the president from Taiwan" are a part of Li Denghui's diplomatic "virgin debut."

The latest event is this Grenada show. Negotiations to establish relations between Taiwan and Grenada actually began about half a year ago. The official in the Ministry of Foreign Affairs responsible for talks with that nation is not very senior, just the councillor who was recently stationed in St Vincent (near Grenada, population about 110,000; a former British possession, it achieved independence in 1979). The Grenadan Government, with the pragmatic notion "don't seek help from the Chinese Communists, but rather seek help from Taiwan," finally took the initiative to suggest the idea of establishing relations with both places.

When Grenada achieved independence in 1974, the "People's Republic of China" immediately granted recognition; Grenada responded in kind. But it was only in 1985 that the two countries finally established formal diplomatic relations, and up to the present day the Chinese Communists have never stationed an ambassador in Grenada's capital city of St George; for many years the two countries maintained only nominal relations. Furthermore, this "great" power "China" for those dozen-odd years provided Grenada with no assistance at all. Early on, the Grenadan Government complained and, coincidentally, right around that time bumped into Taiwan, the "China" that had money, and because of this Grenada finally gave up on the "great" nation and chose the "rich" nation, a situation not difficult to imagine.

The gifts that Taiwan is to give to Grenada for diplomatic recognition are a loan, technical assistance in days to come, and trade contacts. The loan is still under negotiation by the two parties, but it is said that the total will not be very large; however, one billion U.S. dollars in "overseas cooperation funding" was meant for just such a purpose, and is this not the way Taiwan would like it? Grenada's gift to Taiwan is to call it the "Republic of China."

A point worth noting is that Grenada, in its announcement establishing relations with the Chinese Communists in 1985, clearly recognized the "People's Republic

of China" as the sole legal government, and yet, in its announcement establishing relations with Taiwan, there was no statement like "the Republic of China is the sole legal government." The Ministry of Foreign Affairs was at first hesitant about this "unequal treatment," but in the end no major opposition was made because of "realistic" considerations.

As for whether the Ministry of Foreign Affairs officials, during negotiations with Grenada for diplomatic recognition, have ever "gently reminded" that country's government officials of the problems they have had in their relations with the Chinese Communists, according to one senior Ministry official who would like to remain anonymous, "We have no need to discuss this issue with them. Their relationship with the Chinese Communists is an issue that they ought to think about themselves; there is no point in our bringing it up. And as for what sort of reaction the Chinese Communists will have after relations with us have been established, that too is their business."

This Ministry of Foreign Affairs official emphasized that "if a country wishes to recognize us now, even if they already have diplomatic relations with the Chinese Communists, we will accept it." The reason is quite simple: "We don't want to cut off all avenues of pursuit in international society just because of the "one-China" notion.

This is, in fact, Li Denghui's basic principle of foreign policy. On 3 June of this year at the 13th Kuomintang Party Congress, he made a statement that in the past might well have been considered seditious: "We ought to courageously face up to the fact that we have been unable up to now to control the China mainland. Only by doing so will we avoid stagnation and over-adherence to our own rules..." This kind of talk would certainly not have come from the two presidents Jiang, nor would it have been accepted by the Shen Changhuan's, but Li Denghui thinks, speaks, and acts this way. Having discarded the "Singapore model" and soon thereafter adopting the "Grenada model" to establish the precedent of "dual recognition," Li Denghui can truly be called an audacious man. Were he not currently the president, it is possible that he might find himself out of office and in serious trouble.

Because Li Denghui has agreed, according to the Ministry of Foreign Affairs official quoted above, that "during talks with Grenada on establishing diplomatic relations, there 'seemed' to be no one among those who took part in the decisionmaking opposed; if there were any opposition, it was only 'reservations.'"

We can see a blemish on the power and influence possessed by Li Denghui, this great overlord of foreign policy. The situation is that: when another Taiwanese foreign policy taboo was thoroughly abolished, so was the myth of "one China." Although Li Denghui and our government will definitely refuse to admit this fact in public, they will play "word games" with you, telling you: "We don't agree with the 'two China' stance. The basic principle that 'there is

but one China' has not changed at all, and 'dual recognition' is something that other countries have adopted; we don't accept it at all," Ministry of Foreign Affairs deputy minister Jin Shuji thus informed reporters on 20 July. If asked about this question, Lian Zhan, Li Huan, and Li Denghui will certainly respond with this standard reply: because word games are something at which Chinese have always excelled, although those of intellectual talent might find these games quite boring, those who play them delight in them and thereby consider themselves very wise. If someone went and exposed the truth, wouldn't that ruin the game?

Criticism of Military Interference in Elections

40050624 Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 122, 10-16 Jul 89 p 12-13

[Article by Tung Meng-lang 5516 1322 6745, Wei Hung-wu 7279 3163 2976, and Yu Hsien-ta 3266 6343 6671: "Has the Garrison General Headquarters Become the Campaign General Headquarters?"]

[Excerpts] [Passage omitted] The commander of the Taiwan Garrison General Headquarters, Ch'en Shou-shan [7115 1343 1472], openly declared on 1 July that "the election at the end of the year are going to be the biggest test for the Garrison General Headquarters in 40 years." Within days, the commanders of the Garrison General Headquarters' regimental districts in Tainan and Taichung Counties openly supported individual candidates in the Kuomintang (KMT) primary elections, which sparked criticism from legislators and local personages. These signs indicate that, although this "eternal big brother" is already 32 years old, its sap still flows briskly, it chafes at its tether, and it often yearns to stick its thumb into the political pie.

Martial law has been lifted and the duties of the regimental districts have been greatly reduced. Their official and legally defined task is simply to serve as a military reserve organization, yet the commanders of many regimental districts cling to their martial law mentality and methods of operation. They frequently get involved in local politics, and even openly work for individuals in KMT primary contests. The behavior of Chao Hai-yu [6392 3189 3768], commander of Tainan Regimental District, and Li Chieh-kuang [2621 0267 0342], commander of Taichung Regimental District, have been especially criticized. Their open support of certain candidates in the KMT primary contests have not only drawn criticism from people at the local level, but the issue has even surfaced on the agenda of the Legislative Yuan. [passage omitted]

During a meeting of all reserve military personnel in Tainan County's Chiali Township, Chao Hai-yu openly asked all those present at the meeting to support Li Ya-ch'iao [2621 7161 2884]. This action brought criticism from another candidate, Huang Cheng-hsiung [7806 2973 7160], who felt that Chou Hai-yu's speech constituted military interference in politics.

When Ch'en Ch'ing-hung [7115 1987 7703], from the military reserve center in Tainan County's Liuchia Township, registered to campaign for a seat on the legislature, Chao Hai-yu accompanied Ch'en as he made the rounds calling upon party members. Furthermore, reserves from various localities were also mobilized to campaign for Ch'en. They distributed flyers, and even the Reserve Women's Federation mobilized its members to bring in votes everywhere for Ch'en. Li Sheng-feng [2621 0524 1496], who is fighting to serve another term as legislator from Tainan County, stated publicly that he does not object to Chao Hai-yu's action. He pointed out that the commander of the regimental district is also a party member, and that only the commander himself knows whether he is supporting candidates in his capacity as a party member or as regimental commander. Li Sheng-feng said that "the participation of military commanders in primary elections is a legitimate subject for debate, however. Is it proper for such a person to go around like that while wearing a military uniform?"

One senior local journalist says that Chao Hai-yu, through his activities in the area, "hardly seems like a military officer at all," and that he is quite active locally. He has close ties to politicians and businessmen. He has frequent contact and communication with journalists and is deeply involved in local affairs. For example, the regimental district mediated a labor-management dispute at the Hsinying Bus Company. He has also mediated an environmental dispute. He always wants to have a hand in whatever is happening and has obviously overstepped his bounds.

Huang Cheng-hsiung says that Chao Hai-yu's open recommendation of Li Ya-ch'iao in a meeting called to handle public affairs is a violation of the principle of military neutrality. During the meeting, a member of the military reserves challenged Chao's support for Li. Chao Hai-yu explained that he supported Li Ya-ch'iao because Li had budgeted two million yuan for support of military reserve functions, but Huang Cheng-hsiung criticized that "this shows all the more clearly that he is using public office to pursue private objectives." [passage omitted]

The commander of Taichung Regimental District, Li Chieh-kuang, openly gave his support to KMT primary candidate Liao Liao-yi [1675 0055 0110], and his uncivil treatment of other candidates created a furor in Taichung County politics. Wu Kui-sen [0702 2710 2773], the magistrate of Waipu Township and a KMT primary candidate for county administrator, distributed his name card during a meeting that had been called last month by Taichung Regimental District, and he was kicked out by Li Chieh-kuang. This incident caused indignation among Wu's supporters, and the Representative Assembly of Waipu Township considered a proposal to ask the Ministry of National Defense to send an investigator to look into Li Chieh-kuang's open involvement in election

activities. Afterward, the Garrison General Headquarters was prompted by this incident to demand that Li Chieh-kuang submit a written report on the affair.

During election of delegates to last year's 13th KMT National Congress, Li Chieh-kuang vigorously supported Liao Liao-yi, which caused dissatisfaction on the part of Liu T'ieh-chung [0491 6993 1813], deputy secretary of the KMT caucus in the county legislature. Liu also criticized and impeded the allocation by the legislature of emergency funds for the military reserves.

Ch'en Keng-chin [7115 1649 6855], Taichung County administrator, also has strained relations with Li Chieh-kuang. This once necessitated that Ch'en Shou-shan personally step in to make peace. Ch'en demanded that Li maintain a strict "neutrality" and refrain from further involvement in local politics. Last year, there was a controversy concerning "upholding the law" as opposed to "upholding the Constitution" between the KMT and the Democratic Progressive Party (DPP). The parties each held mass meetings, and at that time Li Chieh-kuang participated in the "uphold the law" activities. When labor disputes occurred in Taichung, the regimental district became involved. Li Chieh-kuang appears to have forgotten his military status, which has prompted one local personality to describe him as a "military politician." [passage omitted]

Another local senior leader in Taichung County also criticizes Li Chieh-kuang. This senior leader, who prefers anonymity, said that party members themselves should choose the candidates that appeal to them in the primaries. Organs within the government, party, or military should not mobilize their personnel to support whatever Tom, Dick, or Harry that catches their fancy.

"Li Chieh-kuang's involvement in local politics seems a bit like military interference in politics" was this senior leader's disapproving comment.

He pointed out that Li Chieh-kuang and Liao Liao-yi, mayor of Fengyuan City, are sworn blood brothers and often drink and carouse together. Taichung County's Red Faction is supporting Liao Liao-yi in this electoral contest for county administrator. Whether in public or in private, Li Chieh-kuang is always engaged in publicity work for Liao Liao-yi.

This leader also pointed out that during elections last year for delegates to the 13th KMT National Congress, not even the county party headquarters dared express support for any particular candidate, but left it open to free competition. Li Chieh-kuang, however, mobilized the military reserves to engage in campaign work for the Red Faction, which is what has raised so much ire. Li Chieh-kuang sent the regimental district's political instructor to take personal command of campaign activities at military reserve political instruction centers in every town and township.

However, Fang Cheng-chih [2455 2398 3112], chairman of the Taichung County KMT party headquarters, denies that the regimental district in his county has been involved in the election campaign. He says that the Taichung County party headquarters has not received any reports so far in connection with the primaries, and that all the citizens service centers were notified individually of matters needing the attention of party workers during the primaries. The regimental district was not among those organs notified and did not participate in any briefing session. As for the regimental district's involvement in electioneering following the primaries, Fang Cheng-chih said that he had not yet considered this issue, and that "those who were wearing uniforms are part of another system and had nothing to do with us, but if the commander of the regimental district did campaign for someone, I suppose it was out of personal friendship."

However, a party worker in the Kaohsiung County KMT party headquarters who preferred anonymity also stated that it is not until after the primaries that the local party headquarters will call a joint meeting, with leading cadres of the security organs present, to hear reports. This will enable them to ensure electoral support and distribute it effectively. He said that, at present, leaders of local security organs participate in electoral campaigns only in their capacity as members of a political party. As for their subordinates, they do not use the organs that they command for investigations, allocation of votes, and publicity work, because "their workers' backgrounds are too heterogeneous" and "if one cannot give orders, one has little influence." This party worker also made a few statements pregnant with significance. "Kaohsiung County is a very sensitive place, a very unique place. The county administrator is from the DPP, so we can't be too obvious about what we're doing or it would give people something to criticize, and, besides, the commander of the regimental district just doesn't have the clout he used to have."

Penghu County administrator Ou Chien-chuang [2962 1017 1104] says that Penghu County Regimental District has a strong ability to mobilize its people, but they do it with finesse. The directors and secretaries of the military reserve political instruction centers in every township, and the military reserve political instructors in every village and neighborhood are all civilians and they all have other employment. Therefore, it is hard to say there is any military interference in politics.

However, Ou Chien-chuang also states that the regimental district maintains frequent contact with the military reserves. The fact that he was able to become county administrator in the elections of 1986 was connected with the support he received from the military reserves. "They are a big force" in his opinion.

He feels that, in general, the military reserve political instructors are young and are among the local activists. Their standard of living is not bad and their socioeconomic position not low, for which reason they are

capable of having quite a large impact at the local level. Furthermore, there are five or six military reserve political instructors in every township, which truly makes them a force not to be overlooked. [passage omitted]

In fact, before the county administrator elections of 1986, the Penghu County party headquarters had intended to send Ou Chien-chuang to the Garrison General Headquarters' Ch'ing-hsi Chuang for training, which is a prerequisite for anyone who is to become a military reserve political instructor. This plan was dropped only because Ou Chien-chuang had already entered the race for county administrator. From these facts it is evident that the regimental district is a military outpost that political candidates must seek to conquer.

Ou Chien-chuang also says that even though it is only the party primary at this point, several candidate have already begun to lobby the commander of the regimental district and the head of the Political Warfare Division for campaign support. They generally take advantage of their status as military reserve political instructors to treat them to dinner, or pay them a visit. Ou Chien-chuang feels that so far the military has been able to maintain its neutrality in the primary campaign.

Wu Tun-yi [0702 2415 5030], Nantou county administrator, provided a more detailed description of the method of mobilization employed by the regimental district.

Wu pointed out that the military reserve political instruction center in every township has about 100 to 200 political instructors. Above these instructors are section chiefs, a secretary, and a director. During each term, one or two people of strong reputation in the community are recommended to go to Ch'ing-hsi Chuang for training. The training sessions have generally lasted 11 days, at the end of which the trainees become political instructors. The choice for director of the political instruction center is recommended by the regimental district and approved by the corps district.

In general, the directorship of most political instruction centers is assumed by the mayor of a township, but in some townships it is assumed by county legislators or city council members, or perhaps by the provincial grain bureau's section chief in the local grain management Bureau, the secretary general of the agricultural cooperative, the township assembly representative, and so forth.

Therefore, anyone who desires to run for public office and wants to lobby for the vote of the military reserves or ask for the support of the regimental district must enjoy the status of political instructor. Only then can he or she make these people feel they "have a common bond," and create a situation in which they "push their boat in the same direction the river is flowing" and "make contacts in a natural sort of way." [passage omitted]

As for the regimental district, Wu Tun-yi pointed out that they often coordinate activities with the military reserves. Therefore, an occasional "show of concern" at election time does occur.

Because some military reserve party members belong to Huang Fu-hsing's [7806 1788 5281] party headquarters, which is at the provincial level, they are not subject to the control of the local party headquarters. When the local party headquarters wants to mobilize its members to engage in election campaign work, it must secure the assistance, coordination, and intermediary services of the military reserve political instructors. The local party headquarters cannot directly contact the commander of the regimental district.

If Huang Fu-hsing's party headquarters has already decided which candidate to support, and it is different from the local party headquarters' choice, a report is generally submitted to the upper level of the party—the Central Party Headquarters' Organization Work Committee—for mediation and coordination of the various organs' campaign efforts.

Wu Tun-yi feels that corps, division, and regimental districts are usually very careful not to get involved in elections so as to avoid the vexations of outside criticism of military interference in politics. "At most, they might say who they would like to see supported, but they were overly zealous in Tainan when they went around with the candidate."

Miaoli County executive Hsieh Chin-t'ing [6200 6855 3060] said that the major duty of the regimental district is to serve as a local garrison and to assist in local law enforcement and organization of military reserves. He feels that these are useful functions.

The regimental district has nevertheless been involved in local factional politics, but Hsieh Chin-t'ing was not willing to speak in detail about this matter. He only said that "during the 1986 elections, the commander of the local regiment supported a certain candidate. Of course, he didn't do it openly. He tried to persuade some of his friends to support that candidate." [passage omitted]

Hsieh Chin-t'ing believes that the presence of this type of activity depends on the personal philosophy of individual regimental commanders.

The problem is that the abundant resources which the regimental commander has at his disposal, plus the fact that the party headquarters at the next higher level informs him which candidate must be supported, means that this commander is an important locus of power that any candidate must fight to win over. Faced with his own desire for power, instructions from his superiors, and the temptations offered by participants in the electoral process, how is a regimental commander, a run-of-the-mill character himself, to hold himself above the fray? It is with the "feeling that nothing can hold back the tide" that military interference in politics occurs.

It is understood that in meetings called by KMT party headquarters before and during elections at the county and municipal level to hear reports on the progress of the campaign, KMT county mayors, section chiefs, and station chiefs from the Garrison General Headquarters' Bureau of Investigation, and the regimental commanders, are all invited to participate. The security apparatus is used to obtain "intelligence," which is used to analyze the elections.

The four major duties of the regimental district vis-a-vis the military reserves include organization and training, propaganda, societal investigation, and social services. The term societal investigation refers to the collection of intelligence. It is clear that the members of the political instruction teams in every township and neighborhood serve as "informers" for the regimental district. These informers are able to understand campaign conditions at the grassroots level in townships and neighborhoods, and this information is passed up through the hierarchy. Furthermore, in order to meet the challenge of this December's elections, every regimental district has taken on many new hands, some having swollen to several times their original strength. Recently, some persons intending to run for office have feted important officials from all levels within the regimental district, and their motive is precisely to win the support of this organization.

When the election campaign begins, these "informers" transform themselves into key players. There are political instruction teams in every township and neighborhood, and they cast their net far and wide as they become the largest campaign headquarters in the nation. One person who understands the operating procedures of the regimental districts stated that, although the military reserves in any given regimental district do not have enough power to completely determine the outcome of elections, they are nevertheless a force that cannot be overlooked.

The regimental district also frequently directs police organs to involve themselves in election campaigns. Ch'iu Lien-hui [6726 6647 6540], a DPP member of the Legislative Yuan who has participated in several election campaigns and who was once the Pingtung County executive, pointed out that all police organs pay visits to local toughs who have outstanding legal problems. The police ask them to take certain measures, such as spreading rumors that are injurious to non-KMT candidates. The police take their performance of these tasks into account in later dealings with the toughs. [passage omitted]

Ch'iu Lien-hui stated that it once happened in Pingtung that, before soldiers went to vote, they were given ballots that were already filled out and stamped with the official seal. The soldiers had to go to the balloting location, deliver the previously filled in ballot, and take a blank one back to their superiors to prove they had carried out their task. The organ in charge of coordinating the actual operation was the regimental district.

Ch'iu Lien-hui said that, during the 1986 election in Pingtung, someone collected national identity cards

from voters at prices ranging from 500 to 1000 yuan each, which enabled others to cast those voters' ballots. Those who had turned over their ID cards were transported in tour busses to participate in "self-strengthening nation" activities, that is, activities which combine recreation and political speeches. This task was also carried out by "loyal" cadres from among the military reserves.

During the election campaign, the commander of the regiment also kept himself briefed on the progress of the campaign, with meetings every day, once in the morning and once in the evening, in order to study and analyze the latest developments in the campaign.

However, when this publication attempted to verify with the the Garrison General Headquarters' public relations office how the duties of the regimental districts have changed since the lifting of martial law, a deputy department head surnamed Mao who serves as spokesman stated that "the Garrison General Headquarters has had no frontline duties in elections since martial law was lifted. Responsibility for investigation and prevention of all illegal speeches and illegal marches has been turned over to the police or other security organs." During election campaigns, "the Garrison General Headquarters will not step forward to control events until violence has reached a certain level." This deputy department head also stated that during the campaign the Garrison General Headquarters had been assigned no special task, nor had they been granted authorization to temporarily beef up their ranks. [passage omitted]

Speculation on Political Ambitions of Wu Lo-t'ien

40050638 *Taipei TZULI WANPAO in Chinese*
2 Jul 89 p 2

[Article by Wang Ming-yi 3769 2494 5030: "Wu Lo-t'ien—a Self-Proclaimed Mediator of Interparty Power Struggles"]

[Text] Veil of Confusion Thrown Over Complex and Bizarre "Political Rendezvous"

"Has Premier Lee met with Wu Lo-t'ien [0702 2867 1131] or not?" On the eve of Premier Lee Huan's completion of his first month in office, the premier's staff received a stream of phone calls from journalists and others at all levels of society who were anxious to know the answer to this question.

This "political rendezvous" was arranged in a complex and bizarre manner, and both parties harbored personal agendas and political motives. In the end, though, it never came to pass. Just as the opening curtain for the yearend election was being raised, it became a political focus and the media vied to get the scoop on this story. The question of whether the planned meeting between these two men—one of whom is a top-level government official, the other a society figure of considerable fame—had any hidden political motives, has become the object

of passionate debate among people both within the government and among the public.

Wu Lo-t'ien, a folklore specialist who rose to fame more than 10 years ago as a radio broadcaster, has always been well known in the community for storytelling and using the past to satirize the present, and making no bones about his opinions on politics at the time. However, in recent years the tentacles of Wu Lo-t'ien's social consciousness have silently extended into the political realm. Different opinions concerning his political position and image have arisen, particularly since he made it clear that he will not become involved in political struggles between different parties and factions, and will not act according to any party's dictates. He has been moving about freely between the Kuomintang (KMT), the Democratic Progressive Party (DPP), and the Labor Party.

In the eyes of taxi drivers, middle- and lower-class laborers, and residents of small villages, Wu Lo-t'ien (originally Wu T'ai-ling [0702 3141 1545]) is a most renowned storytelling genius and a broadcaster in Hong Kong who uses the local dialect. For more than 10 years, he has used different broadcasting times at more than 10 different radio stations to continuously broadcast very popular tales from folklore. What has made him particularly well-known is his *Liao T'ien-ting* [1675 3240 0002] series (the name is a registered trademark), a part of popular culture with which most people are thoroughly familiar. The legendary characters in the story, such as Mai Yen Shun Tsai [6344 7770 7311 0098], Hung Kui Tsai [4767 7898 0098], and Liao T'ien-ting, are almost inseparable from the name "Wu Lo-t'ien," and command fame in every avenue and alley throughout Taiwan. Wu Lo-t'ien's fame is due primarily to the contribution he has made to the dissemination of folk culture.

In contrast to Wu Lo-t'ien's contribution in this area, the idiosyncratic behavior which has accompanied his move into the political arena has been widely criticized.

When Wu Lo-t'ien anxiously attempted to convert his public image from folklore specialist, master storyteller, and glamorous figure in Taiwanese society, into a "communication channel between the different political parties," this broadcasting genius, who credits himself with "a particular ability to influence" communication between the ruling party and the other parties, has met with criticism and suspicion from all sides.

Doubts About Motives for Publishing List of Candidates Involved in Vote Buying

The political behavior of Wu Lo-t'ien's that has caused the most discussion recently was his acceptance of an invitation to give a speech at the KMT Kaohsiung headquarters, and the expensive advertisement bought by the Taiwan Society for the Promotion of Clean Government (in whose establishment he played a leading role) which listed the names of election candidates from the ruling party as well other parties who had

bought votes. This explosive act not only caused a stir in political circles, but aroused suspicion about Wu's political motivation and his real objective. He was the object of widespread criticism and suspicion.

Explanation of Political Principles not Enough to Erase Doubts

Some feel that he is only being crafty, taking advantage of the weakness in human nature that compels politicians to fear "political and social psychology" in order to strengthen his bargaining position. They feel that he is using this opportunity to maximize his political influence. Some of those whom he accused of involvement in vote buying, after having had their secrets exposed in such a bizarre fashion, furiously stated that Wu Lo-t'ien had not followed through with his virtuous deed. They asked: Since he had already publicized a partial list of those who had bought votes, why didn't he go on and tell all the names? "He's got skeletons in his own closet, so where does he get off rooting around in other people's closets?"

There are also some DPP members who have stated with displeasure that the announcement by Wu's Clean Government Society that elected officials from all parties "had all been involved in vote buying," and the Bureau of Investigation's conclusion, based its investigation of the Jung Hsing [2837 2502] scandal, that people from the ruling party as well as from other parties "had all accepted bribes," served to promote the same type of political philosophy. This shows that there must be some special meaning behind the methods and motives of Wu Lo-t'ien.

Wu Lo-t'ien appears to have been fully prepared for the political criticisms that, one after another, have been leveled at him either directly or indirectly. It has been said that his "position is erratic," his "political philosophy is unclear," that he is "straddling the fence in hopes of reaping the spoils from someone else's battle," and that he is trying to "build a good reputation through trickery."

He recently sent a "statement" to Premier Lee Huan via Ts'ai Chung-hsiung [5591 6988 7160], chairman of the KMT Kaohsiung headquarters, in which he provided a thorough and concrete answer to the suspicions surrounding his political behavior.

Stated Wu: "Why do I frequently criticize the ruling party? Criticism is a method by which to gain information and trust." "To be centrist, remain moderate, aim to serve, and attempt to communicate—all this is not completely without cost." Political and social affairs ought to be a matter of just and mutually beneficial competition, not a game of zero sums or a fight to the death. Therefore, the other face of compromise and communication is interaction and mutual benefit. It was on the basis of this concept that I have in the past urged the government to speed the accomplishment of certain things. However, this cannot in any way be equated with bargaining for this or that concession, because bargaining for concessions is a type of business deal, seeks only profit, has no principle, and is completely incapable of forming the basis for long-term cooperation.

Although Wu Lo-t'ien, with considerable ghostwriting assistance from his secretaries and staff, has attempted to make his political philosophy and behavior seem rational, he has still been unable to explain a plethora of "political doubts" that surround him. Why is it that 3 years ago, after he promised to campaign for Ch'en Shui-pien [7115 3055 2078], he suddenly "disappeared?" What is the internal structure of the Society for Promotion of Clean Government, and where does its money come from? Will he continue to publicize incidents of vote buying? Why was his plan to deliver a round of speeches abroad last year canceled? Why are all of his activities have to be relayed through Mr Chung Kao-ming [6988 7559 6900], of the Bureau of Investigation's Municipal Investigation Office, Chung Shan Station. Just what sort of middleman role did he play with the security organs during the course of their investigation of the Ch'en Wei-tu [7115 4850 6757] "subversion case?"

Political Status and Degree of Influence Uncertain

Although Wu Lo-t'ien does not fit the classic mold of a political figure, this series of unsolved political riddles has become an important standard by which to judge Wu's political position and political image. The fact that no one is clear on his political stance contributed indirectly to the complex news accounts concerning his plan to meet with Lee Huan.

Wu Lo-t'ien got his start as a radio folklore specialist, and now has avid hopes of playing the role of a political figure who can mediate party and policy struggles between the ruling party and the other parties. Although his position in the political firmament and the level at which he will be able to exert influence are still uncertain, I anticipate, on the basis of Wu's "social activist personality" and the explosive energy he devotes to his work, that during the course of the yearend general election and the reapportionment of high-level political spoils, he is certain to come up with some more unusual tricks, and will do his utmost to carve out the political space that he is attempting to occupy.

Taiwan To Help 'Stranded' PRC Dissidents

HK1609024989 Hong Kong SOUTH CHINA MORNING POST in English 16 Sep 89 p 6

[By David Chen]

[Text] The Taiwan Government is taking positive steps to help some 60 Chinese dissidents stranded in Hong Kong and facing the threat of deportation back to the mainland, reports from Taipei said.

It will draft legislation to allow them to settle on the island. An official said the Government hoped to complete the legislation by the end of the month.

At the same time Taipei has asked the Hong Kong authorities not to return the dissidents to China, pending authorisation for them to settle in Taiwan or in a third country, he added.

The declaration came after the arrival in Taiwan some 10 days ago of two prominent members of a now banned pro-Zhao Ziyang think-tank, who fled to Taiwan through the territory.

Mr Zhang Gang and Mr Song Yaomin, deputy director and propaganda chief of the Research Institute for the Reform of the Economic Structure, were among some dozen dissidents who managed to arrive in Hong Kong through a yet undiscovered "underground railway" over the past two weeks.

The director of the institute, Mr Chen Yizi, had fled to France.

The Taiwan authorities, who had announced they would accept those persecuted for the pro-democracy movement on the mainland, have stepped up their efforts to accommodate the dissidents.

The decision was made following unconfirmed reports that some of the dissidents had been placed under police detention and there was a real chance they might be sent back.

It was also learned that there had been renewed unpublicised activities of Taiwan representatives in Hong

Kong. The Taipei-based Free China Relief Association had received applications from some of the dissidents stranded here for asylum in Taiwan.

Other senior Taiwan officials have made similar trips over the past two weeks.

Meanwhile, dissident sources and Taiwan representatives here are anxious about the wide publicity given to the series of successful escapes from the mainland, using Hong Kong as the stepping stone.

The Chinese authorities, they believe, might now be sufficiently aware of the many successes and might bring pressure to bear on the British Government and the Hong Kong Government to make it as difficult for these dissidents to remain here while awaiting further passage abroad.

They are also expected to step up their own security in such places as Zhuhai and Shenzhen, probably replacing the security forces along the border area with those sent from the north.

At the same time, they are also expected to strengthen surveillance in major Chinese ports to prevent wanted dissidents from fleeing from "unlikely places".

'Liberals' Prepare To Launch Political Party

*HK1809031989 Hong Kong SOUTH CHINA
MORNING POST in English 18 Sep 89 p 7*

[By Daphne Cheng]

[Text] The territory's liberals are planning to launch a fully-fledged political party once the public consultation exercise on the draft Basic Law ends in October.

They are finalising details such as the party platform and membership before they make their announcement next month.

It is understood that the party will consist of 30 core members and have an initial membership of 300 when it is launched.

The group will see the territory's three biggest liberal pressure groups—Meeting Point, the Association for Democracy and People's Livelihood, and the Hong Kong Affairs Society—officially joining forces for the first time.

The "Big Three" represent groups that include professional, business and grassroots organisations and could become the territory's first broadly-based party.

The political force could also present a major challenge to legislator Jimmy McGregor, who is also planning to set up a liberal political party—the Hong Kong Democratic Association.

The new party is expected to be led by legislator Szeto Wah, with Mr Martin Lee Chu-ming acting as his right-hand man.

To deflect criticism from China, which is opposed to political parties, the group is likely to stop short of calling itself a political party.

Plans are already being made to field candidates for the 1991 elections to the Legislative Council. Under the present timetable, the Government plans to open 10 seats to direct elections in two years.

The group has decided to hold off a formal announcement until after the five-month consultation on the draft Basic Law is completed.

Group leaders said they have yet to decide how closely they will work with Mr McGregor's group.

Although Mr Lee is a member of Mr McGregor's group, he has made it clear that this would not prevent him from playing a major role in the new political group.

"Martin was very embarrassed when news that he was involved with McGregor leaked. It naturally upset the leaders of the other groups with which he has been having talks," a source close to Mr Lee said.